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

FORM 10-K

(MARK ONE)

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

OR

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

For the fiscal year ended December 31, 2005 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation

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

100 Abbott Park Road
Abbott Park, Illinois 60064-6400

(847) 937-6100
(telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value (including Preferred Stock Purchase Rights)	New York Stock Exchange Chicago Stock Exchange Pacific Exchange

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

Yes X No ___

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

Yes ___ No X

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 X 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. [X]

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

Large Accelerated Filer X Accelerated Filer _____ Non-accelerated Filer _____

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

Yes ___ No X

The aggregate market value of the 1,487,731,767 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2005), was approximately $72,913,733,900. Abbott has no non-voting common equity.

Number of common shares outstanding as of January 31, 2006: 1,538,625,812

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2006 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 21, 2006.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

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

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

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

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

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable revenue segments: Pharmaceutical Products, Diagnostic Products, Ross Products, and International. Abbott also has a 50 percent owned joint venture, TAP Pharmaceutical Products Inc.

Abbott previously had five reportable segments. Effective January 1, 2004, Abbott's segments were reorganized to reflect the shift of certain hospital pharmaceutical products from the Hospital Products segment to the Pharmaceutical Products segment, and the separation of the vascular and spinal products businesses into separate non-reportable segments. In addition, as of January 1, 2004, the Diagnostic Products segment was reorganized into four separate divisions. For segment reporting purposes, these divisions are aggregated and reported as the Diagnostic Products segment.

In January 2006, Abbott announced it entered into an agreement with Boston Scientific to acquire Guidant's vascular intervention and endovascular solutions businesses. The agreement is subject to approval by regulatory authorities and is contingent upon the closing of Boston Scientific's proposed acquisition of Guidant.

On April 12, 2004, Abbott's board of directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc. For every 10 Abbott common shares held at the close of business on April 22, 2004, Abbott shareholders received one common share of Hospira stock on April 30, 2004. All of the shares of Hospira's common stock were distributed to Abbott shareholders on a pro-rata basis. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital Products segment after that segment's reorganization on January 1, 2004, and portions of the International segment. The income and cash flows of Hospira and the direct transaction costs of the spin-off have been presented as discontinued operations in the Condensed Consolidated Statement of Earnings and Statement of Cash Flows. The balance sheet for 2003 has not been adjusted to reflect the effect of the spin-off. The presentation of segment data for 2003 has been adjusted to conform to the presentation in 2004 and 2005.

Pharmaceutical Products

The Pharmaceutical Products segment's products include a broad line of adult and pediatric pharmaceuticals, which are sold primarily on the prescription, or recommendation, of physicians.

The principal products included in the Pharmaceutical Products segment are:

- Depakote®, an agent for the treatment of epilepsy, migraine, and bipolar disorder;
- TriCor®, for the treatment of dyslipidemia;
- HUMIRA® for the treatment of rheumatoid arthritis and psoriatic arthritis;
- the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin®, and Omnicef®, an oral cephalosporin antibiotic;
- Synthroid®, for the treatment of hypothyroidism;
- Mavik® and Tarka®, for the treatment of hypertension;
- Meridia®, for the treatment of obesity;
- the anti-virals Kaletra® and Norvir®, protease inhibitors for the treatment of HIV infection;
- the anesthesia product sevoflurane, sold in the United States under the trademark Ultane®; and
- the specialty product Zemplar®, for the treatment of hyperparathyroidism.

In addition, through an agreement with Boehringer Ingelheim, the Pharmaceutical Products segment distributed and co-promoted Flomax® for the treatment of benign prostatic hyperplasia, Micardis® for the treatment of hypertension, and Mobic® for the treatment of arthritis. Abbott's co-promotion of Flomax® and Mobic® expired as provided by the agreement in 2005. Abbott will co-promote Micardis® through the end of March 2006 and will receive residual commissions on Boehringer Ingelheim's sales of the three products. Abbott's activities as the distributor of these products ended effective January 1, 2006.

The Pharmaceutical Products segment markets its products in the United States and generally sells its products directly to wholesalers, government agencies, health care facilities, and independent retailers from Abbott-owned distribution centers and public warehouses. This segment directs its primary marketing efforts toward securing the prescription of Abbott's brand of products by physicians. Managed care providers (for example, health maintenance organizations and pharmacy benefit managers) and state and federal governments and agencies (for example, the Department of Veterans Affairs and the Department of Defense) are also important customers.

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

Diagnostic Products

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

The principal products included in the Diagnostic Products segment are:

- immunoassay systems, including ARCHITECT®, AxSYM®, IMx®, Abbott Quantum™, Commander®, Abbott PRISM®, TDx®, and TDxFlx®;

- chemistry systems such as ARCHITECT® c8000® and Aeroset®;

- assays used for screening and/or diagnosis for drugs of abuse, cancer, therapeutic drug monitoring, fertility, physiological diseases, and infectious diseases such as hepatitis and HIV;

- the Vysis® product line of genomic-based tests, including the PathVysion® HER-2 DNA probe kit and the UroVysion™ bladder cancer recurrence kit;

- a full line of hematology systems and reagents known as the Cell-Dyn® series;

- the product line of FreeStyle® blood glucose monitoring meters, test strips, data management software and accessories for people with diabetes, including FreeStyle®, FreeStyle Flash® (sold in certain international markets as FreeStyle® Mini), FreeStyle Papillon™, and FreeStyle Tracker®, and other blood glucose monitoring meters, test strips, data management software and accessories, including Precision Xtra™, MediSense Optium™, Precision PCx®, Precision Q.I.D.®, MediSense II™, TrueMeasure® strips, Precision Link® Direct, and Precision® Sure-Dose® insulin syringes; and

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

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

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

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products. Certain of this segment's products are subject to restrictions on their sale in the United States under a consent decree entered in 1999. The consent decree is discussed in the section captioned, "Regulation" on page 8.

Ross Products

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

Principal products in the Ross Products segment include:

- various forms of prepared infant formula, including Similac®Advance®, Similac®, Similac® With Iron, Similac®2, Isomil® Advance®, Isomil®, Isomil®2, Alimentum®, and Similac® NeoSure®;

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

- nutritional products used in enteral feeding in health care institutions, including Jevity®, Osmolite® and Nepro®;
- the pharmaceutical product Survanta®;
- ZonePerfect® bars; and
- the EAS family of nutritional brands, including AdvantEdge® and Myoplex®.

In addition, the Ross Products segment co-promotes Synagis®, for prevention of respiratory syncytial virus, under an agreement with MedImmune Inc. through June 30, 2006.

The Ross Products segment markets its products in the United States, except for EAS® and ZonePerfect® retail products which are sold worldwide. In most cases, its products are distributed from Abbott-owned distribution centers or public warehouses.

It generally sells nutritional products directly to retailers, wholesalers, health care facilities, and government agencies. Currently, primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products are also promoted through direct to consumer marketing efforts. Similac® Advance®, Isomil® Advance®, PediaSure®, Pedialyte®, Ensure®, Glucerna®, ZonePerfect®, and EAS® retail products are promoted directly to the public by consumer advertising. These products are generally sold directly to retailers and wholesalers.

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

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

International

The International segment's products include a broad line of pharmaceutical and adult and pediatric nutritional products marketed and primarily manufactured outside the United States. These products are sold primarily on the prescription or recommendation of physicians and other health care professionals. This segment also includes consumer products.

The International segment's principal products include:

- the anti-infectives clarithromycin, sold under the trademarks Biaxin®, Klacid® and Klaricid®, tosufloxacin, sold in Japan under the trademark Tosuxacin®, and various forms of the antibiotic erythromycin, sold primarily as PCE® or polymer-coated erythromycin, Erythrocin®, and E.E.S.®;
- the anti-virals Kaletra® and Norvir®, protease inhibitors for the treatment of HIV infection;
- Lupron®, also marketed as Procrin®, Lucrin®, and Lupron Depot® used for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty, and for the preoperative treatment of patients with anemia caused by uterine fibroids;
- Synagis® for prevention of respiratory syncytial virus;

- HUMIRA® for the treatment of rheumatoid arthritis and psoriatic arthritis;
- Ogastro®, also marketed as Prevacid® (lansoprazole), a proton pump inhibitor for the short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis;
- various cardiovascular products, including Loftyl®, a vasoactive agent, Mavik® (also marketed as Odrik® and Goptin®), Isoptin® and Tarka® (also marketed as Ocadrik®) for the treatment of hypertension, Hytrin® used for the treatment of hypertension and benign prostatic hyperplasia and candesartan (sold under the trademarks Blopress® and Tiadyl®), an angiotension 2 antagonist;
- Reductil® (also marketed as Reductyl™, Reductal™, and Meridia®) for the treatment of obesity;
- various forms of infant formulas and follow-on formulas, including Similac®Advance®, Gain®, Abbott Grow®, and PediaSure®;
- various adult medical nutritionals, including Ensure®, Glucerna®, and Jevity®;
- anesthesia products, including sevoflurane (sold outside of the United States primarily under the trademark Sevorane® and in a few other markets as Ultane®), isoflurane, and enflurane; and
- specialty injectables such as Zemplar®, Calcijex®, Simdax®, and Survanta®.

The International segment's pharmaceutical and nutritional products are generally sold directly to government agencies, retailers, wholesalers, and health care facilities. In most cases, they are distributed from Abbott-owned distribution centers. Certain products are co-marketed or co-promoted with other companies. Some of these products are marketed and distributed through distributors. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of Abbott's brand of products by physicians. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals.

Competition for the International segment's pharmaceutical products is generally from other health care and pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products. Competition for the segment's nutritional products is generally from other health care manufacturers and food companies. Nutritional products are subject to competition in price, scientific innovation, formulation, and promotional initiatives.

TAP Pharmaceutical Products Inc.

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

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

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

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

Patents, Trademarks, and Licenses

Abbott is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for Abbott's products in the United States and all countries of major marketing interest to Abbott. Abbott owns and is licensed under a substantial number of patents and patent applications. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 6. These, and various patents which expire during the period 2006 to 2025, in the aggregate are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to adalimumab (which is sold under the trademark HUMIRA®), those related to clarithromycin (which is sold under the trademarks Biaxin®, Klacid®, and Klaricid®), those related to divalproex sodium (which is sold under the trademark Depakote®), those related to lansoprazole (which is sold under the trademarks Prevacid® and Ogastro®), and those related to lopinavir/ritonavir (which is sold under the trademark Kaletra®), are material in relation to Abbott's business as a whole. The United States composition of matter patents covering adalimumab will expire in 2016. The United States composition of matter patent covering clarithromycin is licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan, and expired in 2005. The United States composition of matter patents covering divalproex sodium will expire in 2008. The United States composition of matter patent covering lansoprazole is licensed by TAP from Takeda and will expire in 2009. The United States composition of matter patent covering lopinavir will expire in 2015. The United States composition of matter patents covering ritonavir will expire in 2013 and 2014. The United States composition of matter patent covering lopinavir/ritonavir will expire in 2016. In addition, the patents, licenses, and trademarks related to fenofibrate (which is sold under the trademark TriCor®) are significant for Abbott's Pharmaceutical Products segment and the patents, licenses, and trademarks related to sevoflurane (which is sold under the trademarks Sevorane® and Ultane®) are significant for Abbott's International segment. The principal United States non-composition of matter patents covering the fenofibrate products will expire in 2009, 2011, 2018, and 2020. The principal non-composition of matter patents covering sevoflurane in the International segment's major markets will expire in 2018. Litigation involving Abbott's patents covering clarithromycin, divalproex sodium, sevoflurane and fenofibrate is discussed in Legal Proceedings on pages 15 through 18.

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

Seasonal Aspects, Customers, Backlog, and Renegotiation

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

Research and Development

Abbott spent $1,821,175,000 in 2005, $1,696,753,000 in 2004, and $1,623,752,000 in 2003 on research to discover and develop new products and processes and to improve existing products and processes. The majority of research and development expenditures is concentrated on pharmaceutical products.

Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. Abbott's capital and operating expenditures for pollution control in 2005 were approximately $9 million and $62 million, respectively. Capital and operating expenditures for pollution control in 2006 are estimated to be $6 million and $65 million, respectively.

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

Employees

Abbott employed approximately 59,735 persons as of December 31, 2005.

Regulation

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

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

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

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

Access to and the cost of human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in the United States and other countries. In the United States, most states have enacted generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's version of a pharmaceutical product for the one prescribed. In 2006, a prescription drug benefit was implemented under the Medicare program, providing eligible individuals with greater access to prescription drugs. Although it is not yet possible to assess the overall impact on Abbott, potential increases in sales volume may be offset by federal government efforts to manage the costs of the Medicare program. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home, and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on diagnosis rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Under federal law, manufacturers must pay certain statutorily-prescribed rebates to state Medicaid programs on prescription drugs reimbursed under state Medicaid plans. In addition, a majority of states are seeking additional rebates. The Veterans Health Care Act of 1992 requires manufacturers to extend additional discounts on pharmaceutical products to various federal agencies, including the Department of Veterans Affairs, Department of Defense, Public Health Service entities and institutions, as well as certain other covered entities.

In the United States, governmental cost containment efforts have extended to the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). States participating in WIC have sought and obtained rebates from manufacturers of infant formula whose products are used in the program and have conducted competitive bidding for infant formula contracts. States participating in WIC are required to engage in competitive bidding or use other cost containment measures that result in similar savings.

Abbott expects debate to continue during 2006 at both the federal and the state level over the availability, method of delivery, and payment for health care products and services. Abbott believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases, for health care products and services.

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

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

INTERNATIONAL OPERATIONS

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

INTERNET INFORMATION

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

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

ITEM 1A. RISK FACTORS

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

Abbott may pursue acquisitions of complementary businesses, technology licensing arrangements, and strategic alliances to expand its product offerings and geographic presence as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits of any acquisition, license arrangement, or strategic alliance. Other companies may compete with Abbott for these strategic opportunities. Further, even if Abbott is successful in making the acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects, individually or in combination, could cause a deterioration of Abbott's credit rating and result in increased borrowing costs and interest expense. Abbott could experience difficulties in integrating geographically separated organizations, systems and facilities, and personnel with diverse backgrounds. Integration of an acquired business also may require management resources that otherwise would be available for ongoing development of Abbott's existing business.

Abbott may also dispose of or spin-off some of its businesses. Abbott may not complete these transactions in a timely manner, or at all, and may not realize their expected benefits.

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

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other businesses, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's business will suffer. To the extent that countries do not enforce Abbott's intellectual property rights or require compulsory licensing of its intellectual property, Abbott's future revenues and operating income will be reduced.

Abbott's principal patents and trademarks are described in greater detail in the sections captioned, "Patents, Trademarks, and Licenses" and "Financial Review," and litigation regarding these patents is described in the section captioned "Legal Proceedings."

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

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

Abbott is subject to cost-containment efforts.

In the United States and other countries, access to and the cost of human health care products continues to be subject to downward pressure on prices. Cost-containment efforts by the government and private organizations are described in greater detail in the section captioned "Regulation."

In markets outside the United States, Abbott's businesses have experienced downward pressure on product pricing. Many countries, directly or indirectly, through limitations on reimbursement or availability, control the selling price of most health care products. To the extent these cost containment efforts are not offset by greater patient access to healthcare or other factors, Abbott's future revenues and operating income will be reduced.

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

Abbott's products are subject to rigorous regulation by the Federal Food and Drug Administration, and numerous other national, supranational, federal and state authorities. The process of obtaining regulatory approvals to market a drug or medical device, particularly from the FDA and certain governmental authorities outside the United States, can be costly and time-consuming, and approvals might not be granted for future products on a timely basis, if at all. Regulation is not static. The suspension, revocation, or adverse amendment of the authority necessary for manufacture, marketing, or sale, and the imposition of additional or different regulatory requirements, such as those affecting labeling can also occur. Delays in the receipt of, or failure to obtain approvals for, future products could result in delayed realization of product revenues and in substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once clearance or approval has been obtained for a product. These

requirements include, among other things, regulations regarding manufacturing practices, product labeling and advertising and postmarketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. For example, developers and manufacturers of health care products, including pharmaceutical products, medical devices, and nutritional products must comply with detailed regulations governing current good manufacturing, laboratory and clinical practices, including requirements relating to quality control and quality assurance. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. In the past, Abbott's business has received notices alleging violations of these regulations, and Abbott has modified practices in response to these notices.

Abbott's manufacturing facilities and those of Abbott's suppliers could be subject to significant adverse regulatory actions in the future. These possible regulatory actions could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products and criminal prosecution. These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls or seizures of Abbott's products; a total or partial shutdown of production in one or more of Abbott's facilities while Abbott remedies the alleged violation; the inability to obtain future pre-market clearances or approvals; and withdrawals or suspensions of current products from the market. Any of these events, in combination or alone, could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

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

Abbott's industry is also subject to various federal and state laws pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, the Medicaid Rebate Statute, the Veterans Health Care Act and individual state laws relating to pricing. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment and exclusion from participation in federal and state health care programs, including Medicare, Medicaid, and Veterans Administration health programs. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability and financial condition.

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

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

The success of Abbott's new products will depend on a variety of factors, including Abbott's ability to:

- properly anticipate and satisfy customer needs;
- innovate, develop, and manufacture new products in an economical and timely manner;
- differentiate Abbott's offerings from competitors' offerings;
- achieve positive clinical outcomes for new products;

- meet safety requirements and other regulatory requirements of government agencies;
- avoid infringing the proprietary rights of third parties; and
- establish and maintain its intellectual property rights.

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

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

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

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

Abbott's business is subject to risks associated with doing business internationally. Sales outside of the United States make up more than 40% of Abbott's net sales. The risks associated with Abbott's operations outside the United States include:

- changes in foreign medical reimbursement policies and programs;
- multiple foreign regulatory requirements that are subject to change and that could restrict Abbott's ability to manufacture and sell its products;
- differing local product preferences and product requirements;
- fluctuations in foreign currency exchange rates and in interest rates;
- trade protection measures and import or export licensing requirements;
- difficulty in establishing, staffing, and managing foreign operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability;
- inflation, recession, interest rate fluctuations, and actual or anticipated military or political conflicts; and
- diminished protection of intellectual property in some countries.

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

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

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

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

Abbott faces significant competition and may not be able to compete effectively.

Abbott competes with many companies ranging from other multinational companies to small start-up companies. Competition takes many forms, including responding to pricing pressures from managed care groups and government agencies, the development of new products by competitors having lower prices or superior performance or that are otherwise competitive with Abbott's current products, generic competition when Abbott's products lose their patent or regulatory protection, technological advances, patents and registrations obtained by competitors, and business combinations among Abbott's competitors or major customers. Abbott's present or future products could be rendered obsolete or uneconomical as the result of this competition. Abbott's failure to compete effectively could cause it to lose market share to its competitors and/or have a material adverse effect on its revenues and profitability.

External economic forces, over which Abbott has no control, can have a material adverse effect on Abbott's future profitability and financial condition.

Many external economic forces can affect Abbott's profitability and its financial condition. For example, to calculate its cost for pension and post-employment benefits, Abbott must use the long-term assumptions it has developed with the assistance of its actuaries. These include assumptions regarding the health care cost trend rate, discount (interest) rate, and the expected return on plan assets. Similarly, to determine its stock-based compensation costs, Abbott must develop assumptions regarding the volatility of Abbott's common shares, option life, the associated tax benefit, and discount (interest) rate. These assumptions are based on an analysis of external economic factors over which Abbott has no control. To the extent these factors change over time or actual results differ from these assumptions, Abbott may incur increased costs, some of which may be material.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

Abbott's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-6400. The locations of Abbott's principal plants, as of December 31, 2005, are listed below.

Location	Reportable Segments of Products Produced
Abbott Park, Illinois	Pharmaceutical Products and Diagnostic Products
Abingdon, England*	Diagnostic Products
Alameda, California*	Diagnostic Products
Altavista, Virginia	Ross Products
Barceloneta, Puerto Rico	Pharmaceutical Products and Diagnostic Products
Brockville, Canada	International
Campoverde, Italy	International
Casa Grande, Arizona	Ross Products
Columbus, Ohio	Ross Products
Cootehill, Ireland	International
Delkenheim, Germany	Diagnostic Products
Des Plaines, Illinois	Molecular — a non-reportable segment
Fairfield, California*	Ross Products
Irving, Texas	Diagnostic Products
Jayuya, Puerto Rico	Pharmaceutical Products
Kanata, Canada*	Diagnostic Products
Katsuyama, Japan	International
Ludwigshafen, Germany	International
North Chicago, Illinois	Pharmaceutical Products
Queenborough, England	International
Redwood City, California*	Vascular — a non-reportable segment
Rio de Janeiro, Brazil	International
Santa Clara, California	Diagnostic Products
Sligo, Ireland	International
Sturgis, Michigan	Ross Products
Worcester, Massachusetts*	Pharmaceutical Products
Zwolle, the Netherlands	International

* Leased property

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

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

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

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations, including (as of January 31, 2006) those described below.

Five cases are pending in which Abbott seeks to enforce its patents for divalproex sodium (a drug that Abbott sells under the trademark Depakote®). Abbott filed two of those cases in November 2005 in the U.S. District Court for the Northern District of Illinois and in the U.S. District Court for the Northern District of West Virginia seeking injunctive relief against Mylan Pharmaceuticals' proposed generic version of extended release Depakote. Abbott filed two other cases relating to proposed generic versions of delayed release Depakote seeking injunctive relief: *Nu-Pharm Inc.* (filed in June 2005 in the U.S. District Court for the Northern District of Illinois) and *Alra Laboratories, Inc.* (filed in August 1992 in the U.S. District Court for the Northern District of Illinois). The fifth case was brought by Abbott in May 2003 against Andrx Corporation, Andrx Pharmaceuticals, Inc., Andrx Labs Inc., and Andrx Pharmaceuticals, LLC ("Andrx") in the U.S. District Court for the Southern District of Florida after Andrx submitted a Section 505(b)(2) NDA for a non-AB rated product described as sodium valproate tablets. In this case, the parties have agreed in principle to settle on terms not material to Abbott. Abbott will not report on this case in the future.

One case is pending in which Abbott seeks to protect the patents for fenofibrate (a drug Abbott sells under the trademark TriCor®): *Reliant Pharmaceuticals*, filed in June 2004 in the United States District Court for the District of Delaware. Reliant seeks a declaratory judgment that its generic fenofibrate product does not infringe the patents or that the patents are invalid. One case is pending in the United States District Court for the Eastern District of Texas, *Chiron Corporation and Rockefeller University v. Abbott and Centocor,* related to the patents covering monoclonal antibodies, which plaintiffs claim covers adalimumab (a drug sold by Abbott under the trademark Humira®). Plaintiffs seek compensatory damages and unspecified equitable relief.

Six cases are pending related to Abbott's patents for sevoflurane (an anesthesia product Abbott sells under the trademarks Ultane® and Sevorane®). Two cases brought by Abbott and Central Glass Company, Ltd. (Central Glass) against Baxter Healthcare Corporation (Baxter) are pending in the United States District Court for the Northern District of Illinois and allege that Baxter's proposed generic sevoflurane product infringes their formulation patents. In one of those cases, the court ruled that Abbott's patent is valid but Baxter's product does not infringe Abbott's patent. Abbott has appealed that decision. One case, filed by Baxter and Baxter Healthcare Ltd. in June 2005 against Abbott and Central Glass, is pending in the United Kingdom, High Court of Justice; one case, filed by Abbott and Central Glass in May 2005 against Baxter Company, Ltd., is pending in the Tokyo District Court in Japan. Two cases regarding a generic sevoflurane product sold by Cristalia Productos Quimicos Farmaceuticos, Ltda. are pending in the Sao Paulo State Court in Brazil.

Abbott is involved in litigation pending in the United States District Court for the Northern District of Illinois related to Abbott's patents for clarithromycin (a drug Abbott sells under the trademarks Biaxin®, Biaxin®XL, Klacid®, and Klaricid®) and the proposed extended release products of the following companies: *Teva Pharmaceuticals USA, Inc.* (filed in March 2005), *Ranbaxy Laboratories Ltd. and Ranbaxy Pharmaceuticals, Inc.* (filed in December 2004), *Andrx Pharmaceuticals, Inc.* (filed in March 2005), and *Sandoz* (filed in September 2005). In June 2005, Abbott obtained a preliminary injunction against Teva, and in November 2005, against Ranbaxy and Andrx, preventing each from launching their extended release clarithromycin products. Teva, Ranbaxy, and Andrx have appealed these decisions. Andrx filed a lawsuit involving the same patents as the Illinois litigation in the Southern District of Florida in March 2005, but that lawsuit has been stayed. Litigation was previously pending against Genpharm, Inc. and Roxane related to their immediate release formulations of clarithromycin. Abbott has resolved this litigation on terms not material to Abbott. The remaining litigation related to the immediate release formulation is not material to Abbott. Litigation relating to Abbott's clarithroymcin patents is also pending in Canada.

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

A number of cases, brought as purported class actions or representative actions on behalf of individuals or entities, are pending that allege generally that Abbott and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicare and Medicaid and by private payors. These cases brought by private plaintiffs, State Attorneys General and certain New York Counties generally seek monetary damages and/or injunctive relief and attorneys fees. The federal court cases have been consolidated in the United States District Court for the District of Massachusetts under the Multidistrict Litigation Rules as *In re: Pharmaceutical Industry Average Wholesale Price Litigation*, *MDL 1456*. The following previously reported cases have now been transferred to *MDL 1456: City of New York* and *County of Nassau*. Two cases filed in state court have been removed to federal court and transferred to MDL 1456: *Commonwealth of Kentucky*, filed in September 2003 in the Circuit Court of Franklin County, Kentucky and *State of Illinois*, filed in February 2005 in the Circuit Court of Cook County, Illinois. Thirty-six New York counties filed cases in federal court in 2005 and they have been or will be transferred to *MDL 1456*. Eleven cases are also pending in state courts: *State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General*, filed in October 2001 in the Circuit Court of Kanawha County, West Virginia; *State of Nevada*, filed in January 2002 in the Second Judicial District Court in Washoe County, Nevada; *Swanston*, filed in March 2002 in the Superior Court for Maricopa County, Arizona; *Commonwealth of Pennsylvania*, filed in March 2004 in the Commonwealth Court of Pennsylvania; *State of Ohio*, filed in March 2004 in the Court of Common Pleas, Hamilton County, Ohio; *State of Texas ex rel. Greg Abbott, Attorney General*, filed in May 2004 in the District Court of Travis County, Texas; *State of Wisconsin*, filed in June 2004 in the Circuit Court of Dane County, Wisconsin; *State of Alabama*, filed in January 2005 in the Circuit Court of Montgomery County, Alabama; *State of Mississippi*, filed in October 2005 in Hinds County, Mississippi; *State of Arizona*, filed in December 2005 in Maricopa County, Arizona; and *County of Erie*, filed in March 2005 in the Supreme Court of New York, County of Erie, New York. Abbott has filed or intends to file a response in each case denying all substantive allegations.

In addition, various state and federal agencies, including the United States Department of Justice and the Florida and Idaho Attorneys General, are investigating Abbott's marketing and pricing practices with respect to certain Medicare and Medicaid reimbursable products. These civil investigations seek to determine whether these practices violated any laws, including the Federal False Claims Act, or constituted fraud in connection with the Medicare and/or Medicaid reimbursement paid to third parties. The Department of Justice is contemplating a civil proceeding against both an unspecified number of other pharmaceutical companies and Abbott in connection with its investigation.

Abbott is a defendant in numerous lawsuits involving the drug oxycodone (a drug sold under the trademark OxyContin®), which is manufactured by Purdue Pharma. Abbott previously promoted OxyContin under a co-promotion agreement with Purdue Pharma. Most of the lawsuits allege generally that plaintiffs suffered personal injuries as a result of taking OxyContin. A few lawsuits allege consumer protection violations and unfair trade practices. One suit by a third party payor alleges antitrust pricing violations and overpricing of the drug. As of December 31, 2005, there are a total of 178 lawsuits pending in which Abbott is a party. Seventeen cases are pending in federal court and 161 cases are pending in state court. 168 cases are brought by individual plaintiffs, and 10 cases are brought as purported class action lawsuits. Purdue Pharma is a defendant in each lawsuit and, pursuant to the co-promotion agreement, Purdue is required to indemnify Abbott in each lawsuit.

Abbott is a defendant in a number of lawsuits involving the drug sibutramine (sold under the trademarks Meridia®, Reductil®, Reductyl™, and Reductal™) that have been brought either as purported class actions or on behalf of individual plaintiffs. The lawsuits generally allege design defects and failure to warn. Certain lawsuits also allege consumer protection violations and/or unfair trade practices. The 113 cases captioned *In Re Meridia MDL No. 1481* were pending in the United States District Court for the Southern District of Ohio. In July 2004, the United States District Court for the Northern District of Ohio granted Abbott's motion for summary judgment and dismissed Abbott from those cases. That decision is still on appeal before the Sixth Circuit Federal Court of Appeals. The previously reported case, *Leathers*, has been transferred to the United States District Court for the Southern District of Ohio. Outside of the United States, one case is pending in Canada (*Mandel*, filed in June 2002 in the Ontario Superior Court of Justice, Toronto, Canada) and one case is pending in Italy (*Guerrino*, filed in September 2005 in the Civil Court of Rimini, Italy).

In the mid-1990s, a number of prescription pharmaceutical pricing antitrust suits were brought on behalf of retail pharmacies in federal and state courts as purported class actions. The retail pharmacies allege that pharmaceutical manufacturers, including Abbott, conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies in violation of state and federal antitrust laws. The cases seek treble damages, civil penalties, and injunctive and other relief. In 1998, Abbott settled all of the claims, with the exception of the claims brought on behalf of a group of retail pharmacies that "opted-out" of the class action settlement. In 2005, Abbott settled with these opt-out plaintiffs for $2.3 million to resolve their Sherman Act claims. These plaintiffs' Robinson-Patman claims are pending in the United States District Court for the Eastern District of New York. The claims of the remaining plaintiffs are not material to Abbott. Abbott will not report on these cases in the future.

Abbott is a defendant in several lawsuits originally filed in the United States District Court for the District of Minnesota and consolidated under the caption *In re Canadian Import Antitrust Litigation* alleging generally that Abbott and numerous other pharmaceutical manufacturers violated antitrust laws by conspiring to prevent re-importation of drugs from Canada. In August 2005, the court dismissed with prejudice plaintiffs' federal law claims and dismissed without prejudice plaintiffs' state law claims. Plaintiffs have filed a notice of appeal.

A case against Takeda Pharmaceutical Company Limited and Takeda America Holdings, Inc. ("Takeda") is pending in the United States District Court for the Northern District of Illinois alleging Takeda breached its fiduciary duty to Abbott in that Takeda is diverting to itself profits that rightly belong jointly to Abbott and Takeda as equal joint venture partners in TAP Pharmaceutical Products Inc. (owned 50 percent by Abbott and 50 percent by Takeda). Abbott seeks injunctive relief and compensatory and punitive damages.

Abbott is a defendant in a class action lawsuit pending in the United States District Court for the Northern District of Illinois under the name *Myla Nauman, Jane Roller and Michael Loughery v. Abbott Laboratories and Hospira, Inc.* The plaintiffs are former Abbott employees who allege that their transfer to Hospira, Inc., as part of the spin-off of Hospira, adversely affected their employee benefits in violation of

the Employee Retirement Income Security Act. Plaintiffs generally seek reinstatement as Abbott employees, or reinstatement as participants in Abbott's employee benefit plans, or an award for the employee benefits they have allegedly lost. Abbott filed a response denying all substantive allegations. On December 30, 2005, the court granted plaintiffs' motion for class certification.

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

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Current corporate officers, their ages as of February 17, 2006, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment from January 2001 to February 17, 2006 and the current principal occupation of all other officers are also shown. Unless otherwise stated, employment was by Abbott for the period indicated. There are no family relationships between any corporate officers or directors.

Miles D. White*, 50

2001 to present — Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer — 1993.

Richard A. Gonzalez*, 52

2001 to present — President and Chief Operating Officer, Medical Products Group, and Director.

2001 — Executive Vice President, Medical Products.

Elected Corporate Officer — 1995.

Jeffrey M. Leiden*, 50

2001 to present — President and Chief Operating Officer, Pharmaceutical Products Group, and Director.

2001 — Executive Vice President, Pharmaceuticals and Chief Scientific Officer, and Director.

Elected Corporate Officer — 2000.

Richard W. Ashley*, 62

2004 to present — Executive Vice President, Corporate Development.

2001 to 2003 — Senior Director, McKinsey and Company (a management consulting firm).

Elected Corporate Officer — 2004.

Thomas C. Freyman*, 51

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

2001 to 2004 — Senior Vice President, Finance and Chief Financial Officer.

2001 — Vice President, Hospital Products Controller.

Elected Corporate Officer — 1991.

Joseph M. Nemmers Jr.*, 51

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

2003 to 2006 — Senior Vice President, Diagnostic Operations.

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

2001 to 2002 — Vice President, Hospital Products Business Sector.

2001 — Divisional Vice President, Acquisition Integration Management, International Division.

2001 — Divisional Vice President and Executive Director, Clara Abbott Foundation.

Elected Corporate Officer — 2001.

Jeffrey R. Binder*, 42

2006 to present — Senior Vice President, Diagnostic Operations.

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

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

2003 to 2004 — President, Spinal Concepts.

2001 to 2003 — President and CEO, Spinal Concepts, Inc. (innovator in spinal fixation technology).

Elected Corporate Officer — 2004.

William G. Dempsey*, 54

2003 to present — Senior Vice President, Pharmaceutical Operations.

2001 to 2003 — Senior Vice President, International Operations.

Elected Corporate Officer — 1996.

Edward J. Fiorentino*, 47

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

2004 to 2006 — Vice President and President, Abbott Diabetes Care.

2003 to 2004 — Vice President and President, MediSense Products.

2001 to 2003 — Vice President, MediSense Products.

2001 — Vice President, Pharmaceutical Products, Marketing and Sales.

Elected Corporate Officer — 1998.

Stephen R. Fussell*, 48

2005 to present — Senior Vice President, Human Resources.

2001 to 2005 — Vice President, Compensation and Development.

Elected Corporate Officer — 1999.

John C. Landgraf*, 53

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

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

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

2001 to 2002 — Vice President, Corporate Engineering.

Elected Corporate Officer — 2000.

Holger Liepmann*, 54

2004 to present — Senior Vice President, International Operations.

2001 to 2004 — Vice President, Japan Operations, Abbott International Division.

2001 — Divisional Vice President and Regional Director, Europe.

Elected Corporate Officer — 2001.

Gary E. McCullough*, 47

2003 to present — Senior Vice President, Ross Products.

2001 to 2003 — Senior Vice President — Americas, Wm. Wrigley Jr. Company (a manufacturer and marketer of quality confectionery products, primarily chewing gum).

Elected Corporate Officer — 2003.

Laura J. Schumacher*, 42

2005 to present — Senior Vice President, Secretary and General Counsel.

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

2001 to 2003 — Divisional Vice President, Litigation.

Elected Corporate Officer — 2003.

James L. Tyree*, 52

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

2001 to 2005 — Vice President, Global Licensing/New Business Development.

2001 — Divisional Vice President, Licensing/New Business Development.

Elected Corporate Officer — 2001.

Greg E. Arnsdorff, 51

Vice President and President, Point of Care.

Elected Corporate Officer — 2005.

Alejandro A. Aruffo, 46

Vice President, Global Pharmaceutical Development, Abbott Bioresearch Center.

Elected Corporate Officer — 2004.

Catherine V. Babington, 53

Vice President, Public Affairs.

Elected Corporate Officer — 1995.

Michael G. Beatrice, 58

Vice President, Corporate Regulatory and Quality Science.

Elected Corporate Officer — 1999.

Olivier Bohuon, 47

Vice President, European Operations.

Elected Corporate Officer — 2003.

Charles M. Brock, 64

Vice President, Chief Ethics and Compliance Officer.

Elected Corporate Officer — 2003.

William E. Brown, III, 51

Vice President, Diagnostic Assays and Systems Development.

Elected Corporate Officer — 2002.

Douglas C. Bryant, 48

Vice President, Molecular Global Commercial Operations.

Elected Corporate Officer — 1998.

Thomas F. Chen, 56

Vice President, Nutrition International, Asia and Latin America.

Elected Corporate Officer — 1998.

Michael J. Collins, 49

Vice President, Medical Products Group Health Systems.

Elected Corporate Officer — 2001.

Jaime Contreras, 49

Vice President, Diagnostic Commercial Operations, Europe, Africa and Middle East.

Elected Corporate Officer — 2003.

Thomas J. Dee, 42

Vice President, Internal Audit.

Elected Corporate Officer — 2002.

Robert E. Funck, 44

Vice President and Treasurer.

Elected Corporate Officer — 2005.

Robert B. Hance, 46

Vice President and President, Vascular Devices.

Elected Corporate Officer — 1999.

Lawrence E. Kraus, 58

Vice President, Manufacturing Global Pharmaceutical Operations.

Elected Corporate Officer — 2005.

Zahir Lavji, 52

Vice President, Japan Operations.

Elected Corporate Officer — 2004.

Elaine R. Leavenworth, 47

Vice President, Government Affairs.

Elected Corporate Officer — 1999.

John M. Leonard, 48

Vice President, Global Medical and Scientific Affairs.

Elected Corporate Officer — 1999.

Greg W. Linder*, 49

2001 to present — Vice President and Controller.

2001 — Vice President and Treasurer.

Elected Corporate Officer — 1999.

Richard J. Marasco, 49

Vice President, Nutrition International, Europe and Canada.

Elected Corporate Officer — 2001.

Heather L. Mason, 45

Vice President, International Marketing.

Elected Corporate Officer — 2001.

Mark Masterson, 47

Vice President, Pacific, Asia and Africa Operations.

Elected Corporate Officer — 2005.

P. Loreen Mershimer, 51

Vice President, Pharmaceutical Products, Integrated Healthcare Marketing and Policy.

Elected Corporate Officer — 2001.

Edward L. Michael, 49

Vice President and President, Molecular Diagnostics.

Elected Corporate Officer — 1997.

Sean E. Murphy, 53

Vice President, Global Licensing/New Business Development.

Elected Corporate Officer — 2002.

Daniel W. Norbeck, 47

Vice President, Global Pharmaceutical Discovery.

Elected Corporate Officer — 1999.

D. Stafford O'Kelly, 44

Vice President, Latin America and Canada.

Elected Corporate Officer — 2004.

Donald V. Patton, Jr., 53

Vice President, Diagnostic Global Commercial Operations.

Elected Corporate Officer — 2004.

AJ J. Shoultz, 50

Vice President, Taxes.

Elected Corporate Officer — 2003.

Preston T. Simons, 46

Vice President, Information Technology.

Elected Corporate Officer — 2005.

Eugene Sun, 46

Vice President, Global Pharmaceutical Clinical Development.

Elected Corporate Officer — 2005.

Mary T. Szela, 42

Vice President, Pharmaceutical Products, Primary Care Operations.

Elected Corporate Officer — 2001.

John B. Thomas, 42

Vice President, Investor Relations.

Elected Corporate Officer — 2006.

Susan M. Widner, 49

Vice President, Corporate Marketing.

Elected Corporate Officer — 1998.

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

PART II

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

Principal Market

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

	Market Price Per Share			
	2005		2004	
	high	low	high	low
First Quarter	48.16	43.34	47.25	39.28
Second Quarter	49.98	45.98	44.67	39.43
Third Quarter	50.00	41.57	43.20	38.26
Fourth Quarter	44.36	37.50	47.63	40.25

Market prices are as reported by the New York Stock Exchange composite transaction reporting system. On April 30, 2004, Abbott spun off all of the outstanding common shares of Hospira. For every 10 Abbott common shares held at the close of business on April 22, 2004, Abbott shareholders received one common share of Hospira stock on April 30, 2004. In the table above, market prices include the value of the Hospira business through the date of the spin-off. Subsequent to the spin-off, the value of Abbott shares no longer includes the value of the Hospira business.

Shareholders

There were 82,237 shareholders of record of Abbott common shares as of December 31, 2005.

Dividends

Quarterly dividends of $.275 per share and $.26 per share were declared on common shares in 2005 and 2004, respectively. In addition, as noted above, a special dividend distribution of shares of Hospira, Inc. occurred in the second quarter of 2004. For every 10 Abbott common shares held at the close of business on April 22, 2004, Abbott shareholders received one share of Hospira common stock on April 30, 2004.

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

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2005 — October 31, 2005	100,420[1]	$ 42.61	0	32,558,000[2]
November 1, 2005 — November 30, 2005	1,132,311[1]	$ 38.742	1,040,000	31,518,000[2]
December 1, 2005 — December 31, 2005	11,617,053[1]	$ 40.062	11,482,444	20,035,556[2]
Total	12,849,784[1]	$ 39.966	12,522,444	20,035,556[2]

1. These shares represent:

   (i) the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock — 0 in October; 3,453 in November; and 16,083 in December;

   (ii) the shares deemed surrendered to Abbott to pay the exercise price and to satisfy tax withholding obligations in connection with the exercise of employee stock options — 90,420 in October; 78,858 in November; and 76,526 in December; and

   (iii) the shares purchased on the open market for the benefit of participants in the Abbott Canada Stock Retirement Plan — 10,000 in October; 10,000 in November; and 42,000 in December.

2. On October 14, 2004, Abbott announced that Abbott's board of directors approved the purchase of up to 50 million of its common shares.

ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31				
	2005	2004	2003	2002	2001
	(dollars in millions, except per share data)				
Net sales (a)	$ 22,337.8	$ 19,680.0	$ 17,280.3	$ 15,279.5	$ 13,918.5
Earnings from continuing operations	3,372.1	3,175.8	2,504.7	2,547.0	1,277.7
Net earnings	3,372.1	3,235.9	2,753.2	2,793.7	1,550.4(b)
Basic earnings per common share from continuing operations	2.17	2.03	1.60	1.63	0.82
Basic earnings per common share	2.17	2.07	1.76	1.79	1.00(b)
Diluted earnings per common share from continuing operations	2.16	2.02	1.59	1.62	0.82
Diluted earnings per common share	2.16	2.06	1.75	1.78	0.99(b)
Total assets	29,141.2	28,767.5	26,039.3	23,592.7	22,755.5
Long-term debt	4,571.5	4,787.9	3,452.3	4,274.0	4,335.5
Cash dividends declared per common share	1.10	1.04	0.98	0.94	0.84

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

(b) In 2001, Abbott recorded a pre-tax charge of $1,330 for acquired in-process research and development related to acquisitions of the pharmaceutical business of BASF and of Vysis, Inc.

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

Financial Review

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

The worldwide launch of *HUMIRA*, the spin-off of Hospira, integration and restructuring activities and the loss of patent protection for some products have impacted Abbott's sales, costs and financial position over the last three years.

Subsequent to Abbott's 2001 acquisition of the Knoll pharmaceutical business, which significantly increased the scale of Abbott's pharmaceutical business, Abbott focused on reorganizing and growing its global pharmaceutical business. Abbott has established a global research and development organization and a global manufacturing and distribution organization to serve its domestic and international commercial pharmaceutical operations. Pharmaceutical research and development is focused on five therapeutic areas — immunology, oncology, neuroscience, diabetes/metabolism, and viral diseases. U.S. commercial pharmaceutical operations are focused mainly on primary care and specialty pharmaceuticals. In 2003, Abbott began the worldwide launch of *HUMIRA*, which increased its worldwide sales to $1.4 billion in 2005 compared to $852 million in 2004. In 2005, Abbott and Boehringer Ingelheim (BI) amended their agreement whereby Abbott distributed and promoted BI products. Effective January 1, 2006, Abbott will no longer distribute BI products but will receive residual commissions. Abbott's gross margins for BI products from the prior agreement in effect through December 31, 2005 were substantially lower than its average gross margin. 2005 sales of BI products were $2.3 billion. Increased generic competition resulted in U.S. sales of *Synthroid* declining 22 percent in 2005 while holding a 36 percent market share.

In 2004, Abbott separated its diagnostic segment into four separate divisions — immunoassay/hematology, diabetes care, molecular, and point of care — to better focus on commercial and scientific opportunities. In early 2004, Abbott acquired TheraSense for $1.2 billion, and began to integrate it with Abbott's diabetes care business. In late 2003, Abbott was informed by the FDA that it may distribute the immunoassay products in the U.S. that were impacted by regulatory restrictions imposed in 1999. Net sales and profits for this business declined over the restricted period, but stabilized in 2004 and 2005. In 2005, Abbott diagnostics launched more than 50 new products. In the Ross segment in 2003, Abbott settled its portion of an industry-wide investigation of the enteral nutritional business for $614 million.

In 2004, Abbott completed the spin-off of Hospira, Abbott's former hospital products business. Annual sales of Hospira were approximately $2.4 billion. As part of the spin-off, Hospira assumed $700 million of debt. The historical operating and cash flow results of Hospira are presented as discontinued operations. Hospira is contractually obligated to purchase the international hospital assets and operations that were not included in the spin-off. The legal transfer of certain remaining operations and assets (net of liabilities) outside the United States is expected to occur in the first half of 2006.

In early 2006, Abbott reached agreement to acquire Guidant's vascular intervention and endovascular solutions businesses, subject to Boston Scientific's acquisition of Guidant. Guidant's annual revenues from these businesses are approximately $1 billion. The purchase price would be $4.1 billion, plus contingent milestone payments of $500 million.

TAP's contribution to Abbott's earnings declined in 2004 and 2003. A part of the decline was due to increased competition for *Prevacid*, TAP's largest selling product, and due to market contraction for prescription proton pump inhibitors. In 2004, TAP recorded additional litigation reserves of $125 million for an anticipated legal settlement.

Abbott's short- and long-term debt totaled $6.6 billion at December 31, 2005, largely incurred to finance acquisitions. Operating cash flows in excess of capital expenditures and cash dividends have allowed Abbott to reduce debt and fund acquisitions over the last three years. At December 31, 2005, Abbott's long-term debt rating was AA by Standard and Poor's and A1 by Moody's Investors Service.

In 2006, Abbott will focus on several key initiatives. In the global pharmaceutical business, Abbott will launch newly approved indications for *HUMIRA*. Abbott will also focus on appropriate market support for *Synthroid*, which became subject to generic U.S. competition in mid-2004, and for sevoflurane, which became subject to generic competition in December 2005. In 2005, TAP received an approvable letter from the FDA for febuxostat. Contingent upon FDA approval, TAP plans to launch febuxostat in 2006. Pharmaceutical research and development efforts will continue to be focused in the five therapeutic areas noted above with a significant portion of the development expenditures allocated to new *HUMIRA* indications. Abbott expects to submit additional pharmaceutical regulatory filings in 2006. In the immunoassay business, attention will be focused on improving revenue growth by capitalizing on recent product launches, including the U.S. launch of the blood screening system, *PRISM*, launching additional products, and commercial execution of the existing broad product portfolio. In the hematology business, attention will be focused on the continued launch of *CELL-DYN Sapphire* and other analyzers. For diabetes care, Abbott will continue the launch of *FreeStyle Connect* and Abbott anticipates the approval of *FreeStyle Navigator* in 2006. Upon closure of the acquisition of Guidant's vascular business, planning for its integration would be a key activity in the vascular business. Focus in this business will also be on the 2005 launch of *Xact* Carotid Stent and *Emboshield Embolic Protection System* and the projected approval of *ZoMaxx*, Abbott's drug-eluting stent, in Europe. With a greater focus on consumer marketing, Ross will maximize the strength of its core brands and further develop its healthy-living market presence. In the other business segments, Abbott will focus on developing or acquiring differentiated technologies in higher growth segments of those markets.

Critical Accounting Policies

Sales Rebates — Approximately 40 percent of Abbott's consolidated gross revenues are subject to various forms of rebates and allowances that Abbott records as reductions of revenues at the time of sale. Most of these rebates and allowances are in two of Abbott's domestic segments — the Pharmaceutical Products segment and the Ross Products segment. Abbott provides rebates to pharmacy benefit management companies, to state agencies which administer the federal Medicaid program and the Special Supplemental Food Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from two to 24 months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2005, 2004 and 2003 amounted to approximately $2.5 billion, $2.4 billion and $1.8 billion, respectively, or 22.9 percent, 25.6 percent, and 22.7 percent, respectively, based on gross sales of approximately $10.9 billion, $9.3 billion and $8.0 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales and operating earnings by approximately $109 million in 2005. Other

allowances charged against gross sales were approximately $284 million, $233 million and $191 million for cash discounts in 2005, 2004 and 2003, respectively, and $162 million, $163 million and $171 million for returns in 2005, 2004 and 2003, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending accrual balances each quarter. In the Ross nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management internally estimates the inventory in the retail channel that is not on the retail shelf. A third party continuously measures time on the retail shelf, which is a relatively significant portion of the time inventory is in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In addition, internal processing time is a factor in estimating the accrual. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably estimable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market surveys. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2005, Ross had the exclusive WIC business in 11 states.

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

The following table is an analysis of the four largest rebate accruals, which comprise approximately 80 percent of the consolidated rebate provisions charged against revenues in 2005. Remaining rebate provisions charged against gross sales are not significant in the determination of operating earnings. (*dollars in thousands*)

		Pharmaceutical Products		
	Ross Products WIC Rebates	Medicaid Rebates	Pharmacy Benefit Manager Rebates	Wholesaler Chargebacks
Balance at January 1, 2003	$ 65,979	$ 196,200	$ 115,539	$ 24,586
Provisions	527,803	358,173	244,037	338,316
Payments	(480,420)	(325,303)	(214,381)	(325,809)
Balance at December 31, 2003	113,362	229,070	145,195	37,093
Provisions	671,817	596,330	279,681	419,486
Payments	(687,132)	(452,342)	(271,078)	(412,526)
Balance at December 31, 2004	98,047	373,058	153,798	44,053
Provisions	641,189	663,043	253,499	450,901
Payments	(644,460)	(581,098)	(273,166)	(446,867)
Balance at December 31, 2005	$ 94,776	$ 455,003	$ 134,131	$ 48,087

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

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items are often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. As part of Abbott's calculation of the provision for taxes on earnings, Abbott records the amount that it expects to incur as a result of audits. Each quarter, Abbott reviews its exposures in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies." In the U.S., Abbott's federal income tax returns through 2000 are settled, and the income tax returns for years after 2000 are open. Except for taxes on dividends that were remitted under the American Jobs Creation Act of 2004, Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to calculate its obligations and costs under these programs. With the assistance of outside actuaries, Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rate, discount rate and the expected return on plan assets. The discount rate used to measure liabilities as of December 31, 2005 was determined based on high-quality fixed income investments that match the duration of the expected retiree benefits. Prior to December 31, 2005, the discount rate was determined by reference to a composite corporate AA bond index. The health care cost trend rate represents Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for decades, can be significant in relation to the obligations and the annual cost recorded for these programs. Recent low interest rates have significantly increased unrecognized actuarial losses for these plans. At December 31,

2005, the unrecognized actuarial losses for Abbott's defined benefit plans and medical and dental plans were $1.5 billion and $698 million, respectively. Unrecognized actuarial losses and gains are amortized over the remaining service periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Footnote 4 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point. In 2005, Abbott reversed previously recorded minimum pension liability adjustments of $562 million because the assets of certain defined benefit plans were now in excess of the accumulated benefit obligations due primarily to plan contributions in 2005. This resulted in a credit to Accumulated other comprehensive income (loss) of $346 million, net of taxes. In 2004 and 2003, Abbott recorded minimum pension liability adjustments of $120 million and $155 million, respectively, because the accumulated benefit obligations for certain defined benefit plans exceeded the market value of the plans' assets. This resulted in charges to Accumulated other comprehensive income (loss) of $76 million and $99 million, net of taxes, in 2004 and 2003, respectively.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value. Those assets which do not yet have regulatory approval and for which there are no alternative uses are expensed as acquired in-process research and development, and those that have regulatory approval are capitalized. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field, and valuations are usually based on a discounted cash flow analysis using market participant assumptions. Abbott uses a discounted cash flow model to value most of its acquired intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash inflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for significant acquisitions of intangibles. Abbott reviews intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill is reviewed for impairment annually or when an event that could result in an impairment of goodwill occurs. At December 31, 2005 goodwill and intangibles amounted to $5.2 billion and $4.7 billion, respectively, and amortization expense for intangible assets amounted to approximately $490 million in 2005. There were no impairments of goodwill in 2005, 2004 or 2003.

Litigation — Abbott accounts for litigation losses in accordance with SFAS No. 5, "Accounting for Contingencies." Under SFAS No. 5, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period, as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. For its legal proceedings and environmental exposures, Abbott estimates the range of possible loss to be from approximately $15 million to $60 million. Reserves of approximately $35 million have been recorded at December 31, 2005 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by SFAS No. 5.

Stock Compensation — Through December 31, 2005, Abbott measured compensation cost using the intrinsic value-based method of accounting for stock options and replacement stock options granted to employees and disclosed the impact of the fair value method in the footnotes to the consolidated financial statements. In 2006, Abbott will adopt SFAS No. 123 (revised 2004), "Share-Based Payment," which requires that fair value be recorded in the results of operations. Since there is no market for trading employee stock options, management must use a fair value method. There is no certainty that the results of a fair value method would be the value at which employee stock options would be traded for cash. Fair value methods require management to make several assumptions, the most significant of which are the selection of a fair value model, stock price volatility and the average life of an option. Abbott began preparing for adoption of the new standard in 2004. Abbott has readily available grant-by-grant historical activity for several years in its option administration system. Using this data, Abbott compared valuation results using the binomial method to the Black-Scholes method Abbott had been using and found the results to be comparable. Abbott evaluated whether certain holders of stock options exercised their options differently than other holders and did not find any differentiating pattern among holders. Abbott studied its implied volatility and concluded that a combination of historical and implied volatility will be a better measure than historical volatility alone. Abbott also quantified the additional paid in capital amount available for use in determining tax effects of early exercise for measurement of tax expense. Abbott will use the modified prospective method of adoption. Under this method, prior years' financial results will not include the impact of recording stock options using fair value. Footnote 10 quantifies the effect of application of fair value to 2005 and prior awards. Based upon the valuation of stock options granted in the 2006 annual grant, which comprise the majority of the grant activity for the year, Abbott estimates the impact of the 2006 change in stock compensation expense on diluted earnings per share of approximately $0.15, which includes $0.14 per diluted share for the impact of expensing the fair value of stock options. The 2006 expense for stock compensation is dependent on the number of options granted in the future, the terms of those awards and their fair value, and therefore, the effect on diluted earnings per share could change.

Results of Operations

Sales

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

	Total % Change	Components of Change %		
		Price	Volume	Exchange
Total Net Sales				
2005 vs. 2004	13.5	0.1	12.1	1.3
2004 vs. 2003	13.9	1.6	9.1	3.2
2003 vs. 2002	13.1	1.3	7.8	4.0
Total U.S.				
2005 vs. 2004	13.0	0.8	12.2	—
2004 vs. 2003	12.8	3.8	9.0	—
2003 vs. 2002	11.6	1.6	10.0	—
Total International				
2005 vs. 2004	14.2	(0.7)	12.0	2.9
2004 vs. 2003	15.3	(1.0)	8.9	7.4
2003 vs. 2002	15.1	0.9	5.0	9.2
Pharmaceutical Products Segment				
2005 vs. 2004	16.1	1.6	14.5	—
2004 vs. 2003	15.8	7.2	8.6	—
2003 vs. 2002	19.5	3.3	16.2	—
Diagnostic Products Segment				
2005 vs. 2004	11.2	(0.7)	9.9	2.0
2004 vs. 2003	11.1	(1.2)	6.9	5.4
2003 vs. 2002	5.0	—	(1.8)	6.8
Ross Products Segment				
2005 vs. 2004	8.5	(0.9)	9.4	—
2004 vs. 2003	8.9	(0.5)	9.4	—
2003 vs. 2002	2.3	(0.9)	3.2	—
International Segment				
2005 vs. 2004	13.0	(0.3)	10.4	2.9
2004 vs. 2003	15.9	(1.0)	9.5	7.4
2003 vs. 2002	13.5	1.4	3.4	8.7

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

	2005	Percent Change	2004	Percent Change	2003	Percent Change
	(dollars in millions)					
Pharmaceutical Products —						
Primary Care	$ 4,788	18	$ 4,041	22	$ 3,324	26
Specialty	2,908	18	2,460	28	1,915	23
Diagnostic Products —						
Immunochemistry	2,187	2	2,141	2	2,094	3
Diabetes Care	1,067	35	791	46	542	10
Ross Products —						
Pediatric Nutritionals	1,097	(4)	1,146	5	1,093	9
Adult Nutritionals	1,077	15	934	15	809	(3)
International —						
Other Pharmaceuticals	3,656	15	3,184	21	2,629	15
Anti-Infectives	838	4	804	5	766	10
Hospital Pharmaceuticals	669	13	592	15	516	18
Pediatric Nutritionals	698	17	595	13	527	8
Adult Nutritionals	715	8	663	12	591	12

Sales in the Pharmaceutical Products segment of *Mobic*, *TriCor*, *Omnicef* and *Flomax* favorably impacted Primary Care Products sales, and increased sales of *HUMIRA* favorably impacted Specialty Products sales. U.S. sales of *Synthroid*, which is now subject to generic competition, were $498 million, $637 million, and $565 million in 2005, 2004 and 2003, respectively. Increased sales of *HUMIRA* and *Kaletra* also favorably impacted Other Pharmaceuticals sales in the International Segment in 2005 and 2004. Worldwide sales of *HUMIRA* totaled $1.4 billion in 2005, $852 million in 2004 and $280 million in 2003. Diagnostic Products and International segment products sales were favorably impacted in 2005, 2004 and 2003 by the effect of the relatively weaker U.S. dollar. Diabetes Care product sales for the Diagnostic Products segment were favorably impacted by the acquisition of TheraSense in the second quarter of 2004. In addition, Adult Nutritionals product sales for the Ross Products segment were favorably impacted by the acquisitions of ZonePerfect in the third quarter of 2003 and EAS in the fourth quarter of 2004. The decrease in sales for pediatric nutritionals in 2005 was primarily due to overall infant nutritionals non-WIC category decline and competitive share loss. Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in footnote 1 to the consolidated financial statements. Related net sales were $177 million in 2005, $144 million in 2004 and $241 million in 2003. Sales of new products in 2005 are estimated to be approximately $1.6 billion, led by *HUMIRA* in the Pharmaceutical Products and International segments and incremental sales of approximately $260 million from the 2004 acquisitions of TheraSense and EAS.

The expiration of licenses, patent protection and generic competition can affect the future revenues and operating income of Abbott. Significant ongoing generic activities, and significant patent and license expirations in the next three years are as follows. The U.S. composition of matter patent for *Depakote* expires in 2008. The Pharmaceutical Products segment's sales of *Depakote* in 2005 were $1 billion. The Pharmaceutical Products segment has an agreement with Boehringer Ingelheim to co-promote and distribute three of its products. In 2005, Abbott and Boehringer Ingelheim amended the agreement. Effective January 1, 2006, Abbott no longer distributes or records sales for the Boehringer Ingelheim

products, but will continue to co-promote one product, *Micardis*, through March 31, 2006, and will receive residual commissions on Boehringer Ingelheim's sales of the three products. The amount of pretax income under the amended agreement will be the same as expected under the previous agreement. Net sales of Boehringer Ingelheim products in 2005 were approximately $2.3 billion. In the second quarter 2004, the FDA granted approval for generic competition to *Synthroid* and generic competitors have entered the market. In 2004 and 2005, clarithromycin became subject to generic competition in several European markets. International segment sales of clarithromycin in 2005 were $760 million. In the U.S., the Pharmaceutical Products segment markets clarithromycin in two forms, the immediate release and the extended release forms, both of which are covered by additional non-composition of matter patents. In May 2005, the composition of matter patent on clarithromycin in the U.S. expired, and several immediate release generic products were launched by competitors. Manufacturers of the extended release forms of clarithromycin were enjoined from entering the U.S. market due to Abbott's non-composition of matter patents. U.S. sales of clarithromycin in 2005 and 2004 were $306 million and $458 million, respectively. There may be further generic competition for clarithromycin in the U.S. and other countries in 2006 depending on the results of legal proceedings related to the patents. Upon the December 2005 expiration of a court order related to licenses for sevoflurane, Baxter is now permitted to market a competitive form of sevoflurane. In addition, sevoflurane has been subject to generic competition from other competitors in isolated markets outside of the U.S. and further generic competition in international markets is possible. Worldwide sales of sevoflurane in 2005 were $874 million. The composition of matter patent for *Omnicef* expires in May 2007. Abbott holds an additional non-composition of matter patent that expires in 2011. The Pharmaceutical Products segment sales of *Omnicef* in 2005 were $495 million. In mid 2006, the Ross segment's co-promotion agreement for *Synagis* will terminate. U.S. co-promotion revenues were $231 million in 2005. Abbott will continue to market *Synagis*, and will market its follow-on product, *Numax*, in select international markets and will receive residual commissions on U.S. sales of *Synagis*.

Operating Earnings

Gross profit margins were 52.4 percent of net sales in 2005, 54.9 percent in 2004 and 55.0 percent in 2003. The decrease in the gross profit margin in 2005 was due to unfavorable product mix, primarily as a result of increased sales of Boehringer Ingelheim products that have lower margins than other products in the Pharmaceutical Products segment. Restructuring charges, discussed below, reduced the gross profit margin in 2005 by 0.8 percentage points. The gross profit margin in 2004 was impacted by the favorable mix effect of exchange on the gross profit margin and by unfavorable product mix, primarily increased sales of lower margin Boehringer Ingelheim products, as discussed above, in the Pharmaceutical Products segment. The gross profit margin for 2003 was impacted by a charge of $88 million for an impairment of assets and other expenses as a result of a lower sales forecast for *Abbokinase*; partially offset by favorable product mix, resulting mainly from increased sales in the Pharmaceutical Products segment. Gross profit margins in all years were also affected by productivity improvements, higher project expenses for new products, higher manufacturing capacity costs for anticipated unit growth, and the effects of inflation and competitive pricing pressures.

In the U.S., states receive price rebates from manufacturers of infant formula under the federally subsidized Special Supplemental Food Program for Women, Infants, and Children. There are also rebate programs for pharmaceutical products. These rebate programs continue to have a negative effect on the gross profit margins of the Ross and Pharmaceutical Products segments. In addition, pricing pressures unfavorably impacted the gross profit margins for the Ross Products segment in 2005, 2004 and 2003.

The gross profit margins for the Pharmaceutical Products segment were unfavorably impacted in 2005 and 2004 by unfavorable product mix and favorably impacted in 2003 by favorable product mix. The unfavorable product mix in 2005 and 2004 was due primarily to increased sales of lower margin Boehringer Ingelheim products and higher other manufacturing costs. The gross profit margin in 2003 for the Diagnostic Products segment was impacted by the effects of a FDA consent decree.

Research and development expense, excluding acquired in-process research and development, was $1.8 billion in 2005, $1.7 billion in 2004 and $1.6 billion in 2003 and represented increases of 7.3 percent in 2005, 4.5 percent in 2004 and 10.1 percent in 2003. The majority of research and development expenditures are concentrated on pharmaceutical products.

Selling, general and administrative expenses increased 11.7 percent in 2005 compared to increases of 2.4 percent in 2004 and 29.1 percent in 2003. The restructuring charges discussed below and an increase in a bad debt reserve associated with an unfavorable court ruling increased the percent change from 2004 by 2.7 percentage points in 2005. In 2003, Abbott recorded in selling, general and administrative expenses, a pretax charge of $614 million related to the settlement of the Ross enteral nutritional investigation. This 2003 charge reduced the increase in selling, general and administrative expenses by 15.0 percentage points for 2004 and increased selling, general and administrative expenses by 16.5 percentage points over 2002. The increases in selling, general and administrative expenses, excluding the restructuring charges and the charge for the investigation, were due primarily to increased selling and marketing support for new and existing products, including commercial activities related to sales force expansion and product launches, including Abbott's carotid stent and new *HUMIRA* indications. These increases also reflect the effects of the acquisitions of TheraSense and EAS in 2004. Increases in all three years also reflect inflation and additional selling and marketing support primarily in the Pharmaceutical Products and International segments.

Restructurings
(dollars in millions)

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

The following summarizes the restructuring activity for the global pharmaceutical manufacturing operations restructuring:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 44.1	$ 52.7	$ 96.8
Payments and impairments	(0.3)	(52.7)	(53.0)
Accrued balance at December 31, 2005	$ 43.8	$ —	$ 43.8

The following summarizes the restructuring activity for all other restructurings, which are individually not material:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 147.6	$ 11.1	$ 158.7
Payments and impairments	(36.6)	(11.1)	(47.7)
Accrued balance at December 31, 2005	$ 111.0	$ —	$ 111.0

Abbott expects to incur up to an additional $150 in future periods for restructuring plans, primarily for accelerated depreciation and plant and equipment dispositions.

(Income) from TAP Pharmaceutical Products Inc. Joint Venture

Abbott's income from the TAP Pharmaceutical Products Inc. joint venture was lower in 2005 and 2004 compared to 2003 due to decreased sales due to market contraction for prescription proton pump inhibitors, and in 2004 by approximately $40 million as a result of an agreement with plaintiffs to settle litigation.

Net Interest Expense

Net interest expense increased in 2005 and 2004 due to the impact of higher interest rates on debt levels, partially offset by higher interest income. Net interest expense decreased in 2003 due to a lower level of borrowings and lower interest rates.

Taxes on Earnings

The effective income tax rates on income from continuing operations were 27.0 percent in 2005, 23.0 percent in 2004 and 26.1 percent in 2003. In 2005, Abbott remitted $4.3 billion of foreign earnings in accordance with the American Jobs Creation Act of 2004 and recorded additional tax expense of $245 million, which increased the effective tax rate by approximately 5.3 percentage points. This was partially offset by adjustments of prior years' tax accounts resulting primarily from resolution of prior years' accrual requirements, which decreased the effective tax rate by 2.3 percentage points. The effective tax rate for 2004 reflects adjustments of prior years' tax requirements primarily as a result of resolutions of prior years' tax audits and the effect of non-deductible acquired in-process research and development. The effect of these items for 2004 was to decrease the effective tax rate by approximately 1.2 percentage points. The effective tax rate for 2003 includes the effect of the charge for the settlement of the Ross enteral nutritional investigation and the charges for acquired in-process research and development. The effect of these charges for 2003 was to increase the effective tax rate by approximately 2.4 percentage points. Abbott expects to apply an annual effective rate of between 23.5 percent and 24.0 percent in 2006.

Spin-off of Abbott's Core Hospital Products Business

On April 12, 2004, Abbott's Board of Directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc., payable on April 30, 2004. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital Products segment, after that segment's reorganization on January 1, 2004, and portions of Abbott's International segment. The income and cash flows of Hospira and the direct transaction costs of the spin-off have been presented as discontinued operations in the Consolidated Statement of Earnings and Statement of Cash Flows. Prior years' balance sheets have not been adjusted to reflect the effect of the spin-off.

The legal transfer of certain remaining operations and assets (net of liabilities) outside the United States is expected to occur in the first half of 2006. These operations and assets are used in the conduct of Hospira's international business and Hospira is subject to the risks and entitled to the benefits generated by these operations and assets. These assets and liabilities have been presented as held for sale in the Consolidated Balance Sheets as of December 31, 2005 and 2004. The assets and liabilities held for sale consist primarily of inventories, trade accounts receivable, equipment and trade accounts payable, salaries and other accruals.

Abbott has retained liabilities for taxes on income prior to the spin-off, defined benefit, post-employment medical and dental plan obligations and assets, as of the spin-off, for most of Hospira's

U.S. retired employees and U.S. retirement eligible employees and certain potential liabilities, if any, related to alleged improper pricing practices prior to the spin-off in connection with federal, state and private reimbursement for certain drugs.

Business Combinations and Technology Acquisitions

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

In 2004, Abbott paid approximately $2.3 billion for strategic business and technology acquisitions, as follows. Abbott acquired TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self-monitoring systems, for approximately $1.2 billion in cash; i-STAT Corporation, a manufacturer of point-of-care diagnostic products for blood analysis, for approximately $394 million in cash; EAS, a nutritional company with a portfolio of nationally recognized brands, for approximately $320 million in cash; and Spine Next, a manufacturer of orthopedic spinal implant devices, for approximately $58 million in cash plus additional milestone payments of up to $23 million upon achievement of future targets. Abbott also acquired certain other product technologies for approximately $352 million. These acquisitions resulted in a charge of $271 million for acquired in-process research and development, intangible assets of approximately $1.3 billion, non-tax deductible goodwill of approximately $923 million and deferred income taxes of approximately $406 million. Acquired intangible assets, primarily trade names, are amortized over 5 to 20 years (average of approximately 14 years).

In 2003, Abbott paid approximately $459 million for strategic business and technology acquisitions, as follows. Abbott acquired ZonePerfect Nutrition Company, a marketer of healthy and nutritious products for active people, for approximately $160 million in cash; Integrated Vascular Systems, Inc., a developer of a novel vessel closure technology, for approximately $65 million in cash; and Spinal Concepts Inc., a marketer of spinal fixation products used in the treatment of spinal disorders, diseases and injuries, for approximately $166 million in cash plus additional milestone payments of up to $40 million if agreed upon targets are met. Abbott also acquired the assets of JOMED N.V.'s coronary and peripheral interventional business for approximately $68 million in cash. These acquisitions resulted in a charge of approximately $100 million for acquired in-process research and development, intangible assets of approximately $222 million and non-tax deductible goodwill of approximately $182 million. Acquired intangible assets, primarily product technology, are amortized over 9 to 25 years (average of approximately 16 years).

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

In early 2006, Abbott agreed to acquire Guidant's interventional vascular and endovascular solutions businesses for $4.1 billion in connection with Boston Scientific's acquisition of Guidant. Abbott would also pay $250 million each upon government approvals to market Guidant's drug-eluting stent in the U.S. and in Japan. In addition, Abbott agreed to provide Boston Scientific a $900 million 4 percent loan and to acquire $1.4 billion of Boston Scientific common stock directly from Boston Scientific contingent upon the closing of the Guidant acquisition. The acquisition is expected to be completed in the first half of 2006.

Financial Condition

Cash Flow

Net cash from operating activities of continuing operations amounted to $5.0 billion, $4.3 billion and $3.4 billion in 2005, 2004 and 2003, respectively. In 2005, 2004 and 2003, $641 million, $482 million and $200 million, respectively, was contributed to the main domestic defined benefit plan. In addition, Abbott transferred approximately $45 million to Hospira in 2004 in accordance with the employee benefit agreement governing the assumption by Hospira of certain defined benefit plan assets and liabilities. Abbott expects pension funding for its main domestic pension plan in 2006 to 2011 to be between $200 million and $400 million annually. The increased contribution in 2005 was due, in part, to the investment of cash remitted under the American Jobs Creation Act of 2004.

Debt and Capital

At December 31, 2005, Abbott's long-term debt rating was AA by Standard and Poor's and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $3.0 billion, which support domestic commercial paper borrowing arrangements. Subsequent to the announced potential acquisition of Guidant's vascular intervention and endovascular solutions businesses, Standard and Poor's affirmed their current debt ratings for Abbott and maintained their current "stable" outlook. Moody's Investors Service indicated they would likely affirm their current debt ratings for Abbott and would likely change their current outlook from "stable" to "negative."

In October 2004, the Board of Directors authorized the purchase of 50 million shares of Abbott's common stock from time to time and no shares were purchased under this authorization in 2004. In 2005, Abbott purchased approximately 30 million of its common shares under this authorization at a cost of approximately $1.3 billion. In 2004 and 2003, Abbott purchased approximately 11.7 million and 2.7 million, respectively, of its common shares at a cost of approximately $500 million and $98 million, respectively, under a prior authorization.

In 2005, Abbott borrowed $1.9 billion of long-term debt that matures in May 2008 with variable interest rates above LIBOR. Proceeds from this debt were invested in short-term investments. Abbott issued $1.5 billion of long-term debt in 2004 that matures in 2009 through 2014 with interest rates ranging from 3.5 percent to 4.35 percent. Proceeds from this debt were used to fund the acquisition of TheraSense and to pay down domestic commercial paper borrowings.

Abbott retained $700 million of proceeds from borrowings that Hospira assumed as a result of the spin-off and used these proceeds to reduce domestic commercial paper borrowings. In addition, Abbott retired long-term debt of $1.65 billion in 2004 with proceeds from domestic commercial paper borrowings.

Working Capital

Working capital was $4.0 billion at December 31, 2005, $3.9 billion at December 31, 2004 and $2.7 billion at December 31, 2003.

Capital Expenditures

Capital expenditures of $1.2 billion in 2005, $1.3 billion in 2004 and $1.1 billion in 2003 were principally for upgrading and expanding manufacturing, research and development, investments in information technology and administrative support facilities in all segments, and for laboratory instruments placed with customers.

Contractual Obligations

The following table summarizes Abbott's estimated contractual obligations as of December 31, 2005.

	Payment Due By Period				
	Total	2006	2007-2008	2009-2010	2011 and Thereafter
	(dollars in millions)				
Long-term debt, including current maturities and future interest payments	$ 7,237	$ 2,080	$ 3,036	$ 730	$ 1,391
Operating lease obligations	348	86	119	57	86
Capitalized auto lease obligations	106	35	71	—	—
Purchase commitments (a)	1,454	1,311	99	32	12
Other long-term liabilities reflected on the consolidated balance sheet —					
Benefit plan obligations	1,275	—	208	217	850
Other	1,305	—	393	208	704
Total	$ 11,725	$ 3,512	$ 3,926	$ 1,244	$ 3,043

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

Contingent Obligations

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

As previously noted, in connection with the potential acquisition of certain Guidant businesses, Abbott has agreed to acquire up to $6.9 billion of assets, comprised of $4.1 billion for the businesses, up to $500 million in milestone payments, a $900 million loan to Boston Scientific, and $1.4 billion of Boston Scientific common stock.

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

Recently Issued Accounting Standards

In 2006, Abbott must adopt Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment," which requires that the fair value of stock options granted to employees be recorded in the results of operations. Abbott will use the modified prospective method of adoption. Under this method, prior years' financial results will not include the impact of recording stock options using fair value. Footnote 10 quantifies the effect of application of fair value to 2005 and prior awards. Based upon the valuation of stock options granted in the 2006 annual grant, which comprise the majority of the grant activity for the year, Abbott estimates the impact of the 2006 change in stock compensation expense on diluted earnings per share of approximately $0.15, which includes $0.14 per diluted share for the impact of expensing the fair value of stock options. The 2006 expense for stock compensation is dependent on the number of options granted in the future, the terms of those awards and their fair value, and therefore, the effect on diluted earnings per share could change.

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, "Accounting Changes and Error Corrections." This statement generally requires retrospective application to prior periods' financial statements of voluntary changes in accounting principles. Under the prior rules, changes in accounting principles were generally recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This statement does not change the previous requirements for reporting the correction of an error in previously issued financial statements, change in accounting estimate or justification of a change in accounting principle on the basis of preferability. This statement is effective for accounting changes made in fiscal years beginning after December 15, 2005. Adoption of the provisions of the statement is not expected to have a material effect on the results of operations or financial position of Abbott.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs." This statement clarifies the accounting for the abnormal amount of idle facilities expense, freight, handling costs and wasted material. This statement requires that those items be recognized as current-period expense. In addition the statement requires that allocation of fixed overhead to the cost of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred after December 31, 2005. Adoption of this statement will not have a material effect on the financial statements of Abbott.

Legislative Issues

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

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

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott, including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Exhibit 99.1 to the Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Interest Rate Sensitive Financial Instruments

At December 31, 2005 and 2004, Abbott had interest rate hedge contracts totaling $3.1 billion to manage its exposure to changes in the fair value of debt due July 2006 through March 2014. The effect of these hedges is to change the fixed interest rate to a variable rate. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. As of December 31, 2004, Abbott had $1.6 billion of domestic commercial paper outstanding with an average annual interest rate of 2.2% with an average remaining life of 38 days. The fair market value of long-term debt at December 31, 2005 and 2004 amounted to $6.4 billion and $5.0 billion, respectively (average interest rates of 4.2% and 4.3%, respectively) with maturities through 2023. As of December 31, 2005 and 2004, the fair market value of current and long-term investment securities amounted to $80 million and $854 million, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Market Price Sensitive Financial Instruments

Abbott maintains a portfolio of available-for-sale equity securities from strategic technology acquisitions. The market value of these investments was approximately $99 million and $96 million, respectively, as of December 31, 2005 and 2004. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in value occurs. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2005 by approximately $20 million. (A 20 percent decrease is believed to be a reasonably possible near-term change in share prices.)

Non-Publicly Traded Equity Securities

Abbott maintains a portfolio of equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately $17 million and $30 million, respectively, as of December 31, 2005 and 2004. No individual investment is in excess of $9 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated value occurs.

Foreign Currency Sensitive Financial Instruments

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2005 and 2004, Abbott held $3.9 billion and $3.3 billion, respectively, of such contracts, which all mature in the following calendar year.

In addition, certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are marked-to-market with the resulting gains or losses reflected in Accumulated other comprehensive income (loss). Gains or losses will be included in Cost of products sold at the time the products are sold, generally within the next calendar year. At December 31, 2005 and 2004, Abbott held $222 million and $984 million, respectively, of such contracts, which all mature in the following calendar year.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2005 and 2004:

	2005			2004		
	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
	(dollars in millions)					
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$ 1,519	1.184	$ (1.4)	$ 1,688	1.284	$ (39.1)
British Pound	1,148	1.738	7.2	1,112	1.845	(26.7)
Japanese Yen	513	113.4	(18.4)	533	107.3	9.2
Canadian Dollar	425	1.176	(2.1)	301	1.274	(20.0)
All other currencies	487	N/A	—	601	N/A	(3.3)
Total	$ 4,092		$ (14.7)	$ 4,235		$ (79.9)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

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

	Year Ended December 31		
	2005	2004	2003
Net Sales	$ 22,337,808	$ 19,680,016	$ 17,280,333
Cost of products sold	10,641,111	8,884,157	7,774,239
Research and development	1,821,175	1,696,753	1,623,752
Acquired in-process research and development	17,131	279,006	100,240
Selling, general and administrative	5,496,123	4,921,780	4,808,090
Total Operating Cost and Expenses	17,975,540	15,781,696	14,306,321
Operating Earnings	4,362,268	3,898,320	2,974,012
Net interest expense	153,662	149,087	146,365
(Income) from TAP Pharmaceutical Products Inc. joint venture	(441,388)	(374,984)	(580,950)
Net foreign exchange (gain) loss	21,804	29,059	57,048
Other (income) expense, net	8,270	(30,442)	(35,602)
Earnings from Continuing Operations Before Taxes	4,619,920	4,125,600	3,387,151
Taxes on Earnings from Continuing Operations	1,247,855	949,764	882,426
Earnings from Continuing Operations	3,372,065	3,175,836	2,504,725
Earnings from Discontinued Operations, net of taxes	—	60,015	248,508
Net Earnings	$ 3,372,065	$ 3,235,851	$ 2,753,233
Basic Earnings Per Common Share —			
Continuing Operations	$ 2.17	$ 2.03	$ 1.60
Discontinued Operations	—	0.04	0.16
Net Earnings	$ 2.17	$ 2.07	$ 1.76
Diluted Earnings Per Common Share —			
Continuing Operations	$ 2.16	$ 2.02	$ 1.59
Discontinued Operations	—	0.04	0.16
Net Earnings	$ 2.16	$ 2.06	$ 1.75
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,552,457	1,560,557	1,562,815
Dilutive Common Stock Options	11,646	10,054	9,054
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,564,103	1,570,611	1,571,869
Outstanding Common Stock Options Having No Dilutive Effect	22,469	44,005	57,706

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		
	2005	2004	2003
Cash Flow From (Used in) Operating Activities of Continuing Operations:			
Net earnings	$ 3,372,065	$ 3,235,851	$ 2,753,233
Less: Earnings from discontinued operations, net of taxes	—	60,015	248,508
Earnings from continuing operations	3,372,065	3,175,836	2,504,725
Adjustments to reconcile earnings from continuing operations to net cash from operating activities of continuing operations —			
Depreciation	868,808	840,591	769,403
Amortization of intangibles	490,131	448,109	358,036
Acquired in-process research and development	17,131	279,006	100,240
Investing and financing (gains) losses, net	125,328	47,400	76,755
Trade receivables	(98,216)	(588,575)	(121,702)
Inventories	(88,257)	(285,328)	101,360
Prepaid expenses and other assets	(406,858)	(431,436)	(333,858)
Trade accounts payable and other liabilities	199,703	602,605	(131,809)
Income taxes	567,569	217,815	62,084
Net Cash From Operating Activities of Continuing Operations	5,047,404	4,306,023	3,385,234
Cash Flow From (Used in) Investing Activities of Continuing Operations:			
Acquisitions of businesses and technologies, net of cash acquired	(295,123)	(2,327,821)	(497,914)
Acquisitions of property and equipment	(1,207,493)	(1,291,633)	(1,050,058)
Purchases of investment securities	(15,670)	(543,292)	(289,432)
Proceeds from sales of investment securities	783,599	224,923	333,757
Other	14,600	14,433	66,465
Net Cash (Used in) Investing Activities of Continuing Operations	(720,087)	(3,923,390)	(1,437,182)
Cash Flow From (Used in) Financing Activities of Continuing Operations:			
Proceeds from (repayments of) commercial paper, net	(1,619,000)	813,000	(814,000)
Proceeds from issuance of long-term debt	1,851,013	1,500,000	688,643
Repayment of long-term debt	(150,000)	(1,650,000)	—
Other borrowing transactions, net	90,820	142,998	(342,570)
Purchases of common shares	(1,302,314)	(499,745)	(97,617)
Proceeds from stock options exercised	223,637	155,197	75,035
Dividends paid	(1,686,472)	(1,599,770)	(1,515,703)
Net Cash (Used in) Financing Activities of Continuing Operations	(2,592,316)	(1,138,320)	(2,006,212)
Effect of exchange rate changes on cash and cash equivalents	(193,954)	184,271	180,971
Discontinued Operations:			
Net cash provided by operating activities of discontinued operations	127,012	161,008	361,286
Investing activities of discontinued operations	—	(59,088)	(193,423)
Financing activities of discontinued operations	—	700,000	—
Net cash provided by discontinued operations	127,012	801,920	167,863
Net Increase in Cash and Cash Equivalents	1,668,059	230,504	290,674
Cash and Cash Equivalents, Beginning of Year	1,225,628	995,124	704,450
Cash and Cash Equivalents, End of Year	$ 2,893,687	$ 1,225,628	$ 995,124

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2005	2004	2003
Assets			
Current Assets:			
Cash and cash equivalents	$ 2,893,687	$ 1,225,628	$ 995,124
Investment securities, primarily time deposits and certificates of deposit	62,406	833,334	291,297
Trade receivables, less allowances of — 2005: $203,683; 2004: $231,704; 2003: $259,514	3,576,794	3,696,115	3,313,377
Inventories —			
Finished products	1,203,557	1,488,939	1,467,441
Work in process	630,267	582,787	545,977
Materials	708,155	548,737	725,021
Total inventories	2,541,979	2,620,463	2,738,439
Deferred income taxes	1,248,569	1,031,746	1,165,259
Other prepaid expenses and receivables	932,691	1,080,143	1,110,885
Assets held for sale	129,902	247,056	—
Total Current Assets	11,386,028	10,734,485	9,614,381
Investment Securities, primarily equity securities	134,013	145,849	406,357
Property and Equipment, at Cost:			
Land	370,949	338,428	356,757
Buildings	2,655,356	2,519,492	2,662,023
Equipment	8,813,517	8,681,655	9,479,044
Construction in progress	920,599	962,114	792,923
	12,760,421	12,501,689	13,290,747
Less: accumulated depreciation and amortization	6,757,280	6,493,815	7,008,941
Net Property and Equipment	6,003,141	6,007,874	6,281,806
Intangible Assets, net of amortization	4,741,647	5,171,594	4,089,882
Goodwill	5,219,247	5,685,124	4,449,408
Other Long-term Assets and Investments in Joint Ventures	1,624,201	952,929	1,197,474
Assets Held for Sale	32,926	69,639	—
	$ 29,141,203	$ 28,767,494	$ 26,039,308

	December 31		
	2005	2004	2003
Liabilities and Shareholders' Investment			
Current Liabilities:			
Short-term borrowings	$ 212,447	$ 1,836,649	$ 828,092
Trade accounts payable	1,032,516	1,054,464	1,078,333
Salaries, wages and commissions	625,254	637,333	625,525
Other accrued liabilities	2,722,685	2,491,956	2,180,098
Dividends payable	423,335	405,730	383,352
Income taxes payable	488,926	156,417	158,836
Current portion of long-term debt	1,849,563	156,034	1,709,265
Liabilities of operations held for sale	60,788	87,061	—
Total Current Liabilities	7,415,514	6,825,644	6,963,501
Long-term Debt	4,571,504	4,787,934	3,452,329
Post-employment Obligations and Other Long-term Liabilities	2,154,775	2,606,410	2,551,220
Liabilities of Operations Held for Sale	1,062	1,644	—
Deferred Income Taxes	583,077	220,079	—
Commitments and Contingencies			
Shareholders' Investment:			
Preferred shares, one dollar par value Authorized — 1,000,000 shares, none issued	—	—	—
Common shares, without par value Authorized — 2,400,000,000 shares Issued at stated capital amount — Shares: 2005: 1,553,769,958; 2004: 1,575,147,418; 2003: 1,580,247,227	3,523,766	3,239,575	3,034,054
Common shares held in treasury, at cost — Shares: 2005: 14,534,979; 2004: 15,123,800; 2003: 15,729,296	(212,255)	(220,854)	(229,696)
Unearned compensation — restricted stock awards	(46,306)	(50,110)	(56,336)
Earnings employed in the business	10,404,568	10,033,440	9,691,484
Accumulated other comprehensive income (loss)	745,498	1,323,732	632,752
Total Shareholders' Investment	14,415,271	14,325,783	13,072,258
	$ 29,141,203	$ 28,767,494	$ 26,039,308

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		
	2005	2004	2003
Common Shares:			
Beginning of Year			
Shares: 2005: 1,575,147,418; 2004: 1,580,247,227; 2003: 1,578,944,551	$ 3,239,575	$ 3,034,054	$ 2,891,266
Issued under incentive stock programs			
Shares: 2005: 8,752,085; 2004: 6,811,550; 2003: 4,186,710	299,329	208,880	118,119
Tax benefit from option shares and vesting of restricted stock awards (no share effect)	52,363	22,871	29,980
Retired — Shares: 2005: 30,129,545; 2004: 11,911,359; 2003: 2,884,034	(67,501)	(26,230)	(5,311)
End of Year			
Shares: 2005: 1,553,769,958; 2004: 1,575,147,418; 2003: 1,580,247,227	$ 3,523,766	$ 3,239,575	$ 3,034,054
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2005: 15,123,800; 2004: 15,729,296; 2003: 15,876,449	$ (220,854)	$ (229,696)	$ (231,845)
Issued under incentive stock programs			
Shares: 2005: 588,821; 2004: 605,496; 2003: 147,153	8,599	8,842	2,149
End of Year			
Shares: 2005: 14,534,979; 2004: 15,123,800; 2003: 15,729,296	$ (212,255)	$ (220,854)	$ (229,696)
Unearned Compensation — Restricted Stock Awards:			
Beginning of Year	$ (50,110)	$ (56,336)	$ (76,472)
Issued at market value — Shares: 2005: 588,600; 2004: 589,000; 2003: 130,000	(27,125)	(25,528)	(5,429)
Lapses — Shares: 2005: 50,999; 2004: 57,899	2,198	3,029	—
Amortization	28,731	28,725	25,565
End of Year	$ (46,306)	$ (50,110)	$ (56,336)
Earnings Employed in the Business:			
Beginning of Year	$ 10,033,440	$ 9,691,484	$ 8,601,386
Net earnings	3,372,065	3,235,851	2,753,233
Cash dividends declared on common shares (per share — 2005: $1.10; 2004: $1.04; 2003: $.98)	(1,704,077)	(1,622,148)	(1,531,710)
Spin-off of Hospira, Inc.	—	(761,916)	—
Cost of common shares retired in excess of stated capital amount	(1,315,397)	(527,197)	(135,390)
Cost of treasury shares issued below market value	18,537	17,366	3,965
End of Year	$ 10,404,568	$ 10,033,440	$ 9,691,484
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ 1,323,732	$ 632,752	$ (519,782)
Other comprehensive (loss) income and spin-off of Hospira, Inc.	(578,234)	690,980	1,152,534
End of Year	$ 745,498	$ 1,323,732	$ 632,752

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

Note 1 — Summary of Significant Accounting Policies

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

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations, except that three U.S. wholesalers accounted for 24 percent of trade receivables as of December 31, 2005 and 20 percent of trade receivables as of December 31, 2004 and 2003. Product warranties are not significant.

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

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The accounts of foreign subsidiaries are consolidated as of November 30, due to the time needed to consolidate these subsidiaries. In December 2005, certain foreign subsidiaries borrowed approximately $1.4 billion. These borrowings and related interest expense have been reflected on the December 31, 2005 Consolidated Balance Sheet and 2005 Consolidated Statement of Earnings. No other events occurred related to these foreign subsidiaries in December 2005, 2004 and 2003 that materially affected the financial position, results of operations or cash flows.

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

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

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

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. With the assistance of outside actuaries, Abbott must develop long-term assumptions, the most significant of which are the health care costs trend rate, discount rate and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Unrecognized actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

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

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

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

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

Abbott reviews the carrying value of investments in equity securities each quarter to determine whether an other than temporary decline in market value exists. Abbott considers factors affecting the investee, factors affecting the industry the investee operates in, and general equity market trends. Abbott considers the length of time an investment's market value has been below carrying value and the near-term

prospects for recovery to carrying value. When Abbott determines that an other than temporary decline has occurred, the investment is written down with a charge to Other (income) expense, net.

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

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

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

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

TRANSLATION ADJUSTMENTS — For foreign operations in highly inflationary economies, translation gains and losses are included in Net foreign exchange (gain) loss. For remaining foreign operations, translation adjustments are included in Accumulated other comprehensive income (loss).

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

RECLASSIFICATION — Operating cash flows and investing cash flows of discontinued operations have been reclassified separately for 2004 and 2003 in the Consolidated Statement of Cash Flows.

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

	2005	2004	2003
Other Accrued Liabilities:			
Accrued rebates payable to government agencies	$ 620,300	$ 519,653	$ 381,898
Accrued other rebates (a)	206,514	202,363	212,459
All other	1,895,871	1,769,940	1,585,741
Total	$ 2,722,685	$ 2,491,956	$ 2,180,098

(a) Accrued wholesaler chargeback rebates of $83,551, $72,634 and $81,292 at December 31, 2005, 2004 and 2003, respectively, are netted in trade receivables. Accrued wholesaler chargeback rebates are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

	2005	2004	2003
Post-employment Obligations and Other Long-term Liabilities:			
Accrued post-employment medical and dental costs	$ 638,823	$ 747,406	$ 797,127
Minimum pension liability adjustments	15,003	577,432	498,008
All other	1,500,949	1,281,572	1,256,085
Total	$ 2,154,775	$ 2,606,410	$ 2,551,220

	2005	2004	2003
Net Interest Expense:			
Interest expense	$ 241,355	$ 200,206	$ 188,288
Interest income	(87,693)	(51,119)	(41,923)
Total	$ 153,662	$ 149,087	$ 146,365

	2005	2004	2003
Comprehensive Income, net of tax:			
Foreign currency (loss) gain translation adjustments	$ (953,726)	$ 861,139	$ 1,162,004
Minimum pension liability adjustments, net of taxes of $(199,126) in 2005, $45,690 in 2004 and $57,219 in 2003	346,172	(75,947)	(99,155)
Unrealized (losses) gains on marketable equity securities	(9,219)	(43,613)	106,673
Net adjustments for derivative instruments designated as cash flow hedges	38,574	(39,951)	3,550
Reclassification adjustments for realized (gains)	(35)	(30,547)	(20,538)
Other comprehensive (loss) income	(578,234)	671,081	1,152,534
Net Earnings	3,372,065	3,235,851	2,753,233
Comprehensive Income	$ 2,793,831	$ 3,906,932	$ 3,905,767

	2005	2004	2003
Supplemental Comprehensive Income Information, net of tax:			
Cumulative foreign currency translation (gain) adjustments	$ (761,175)	$ (1,714,901)	$ (853,762)
Cumulative minimum pension liability adjustments	8,931	355,103	302,337
Cumulative unrealized (gains) on marketable equity securities	(8,447)	(17,701)	(95,143)
Cumulative losses on derivative instruments designated as cash flow hedges	15,193	53,767	13,816

	2005	2004	2003
Supplemental Cash Flow Information:			
Income taxes paid	$ 746,504	$ 675,728	$ 832,380
Interest paid	213,067	197,554	207,045

Note 3 — Financial Instruments and Derivatives

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, totaling $222 million, $984 million and $602 million at December 31, 2005, 2004 and 2003, respectively, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates**.** Abbott records the contracts at fair value, resulting in credits of $38.6 million and $3.6 million to Accumulated other comprehensive income (loss) in 2005 and 2003, respectively, and a $40.0 million charge to Accumulated other comprehensive income (loss) in 2004. No hedge ineffectiveness was recorded in income in 2005, 2004 or 2003. Accumulated gains and losses as of December 31, 2005 will be included in Cost of products sold at the time the products are sold, generally through the end of 2006.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. These contracts are recorded at fair value, with the resulting gains or losses reflected in income as Net foreign exchange (gain) loss. At December 31, 2005, 2004 and 2003, Abbott held $3.9 billion, $3.3 billion and $3.0 billion, respectively, of such foreign currency forward exchange contracts.

Abbott is a party to interest rate hedge contracts totaling $3.1 billion to manage its exposure to changes in the fair value of $3.1 billion of fixed-rate debt due July 2006 through March 2014. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2005, 2004 and 2003.

Gross unrealized holding gains (losses) (in thousands) on current and long-term held-to-maturity investment securities totaled $300 and $(400), respectively, at December 31, 2005; $1,200 and $(900), respectively, at December 31, 2004; and $1,400 and $(2,200), respectively, at December 31, 2003. Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $17,700 and $(3,500),

respectively, at December 31, 2005; $30,800 and $(1,100), respectively, at December 31, 2004; and $162,700 and $(4,000), respectively, at December 31, 2003.

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

	2005		2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(dollars in millions)					
Investment Securities:						
Current	$ 62.4	$ 62.4	$ 833.3	$ 833.3	$ 291.3	$ 291.3
Long-term:						
Available-for-Sale Equity Securities	116.4	116.4	125.5	125.5	381.1	381.1
Other	17.6	17.5	20.3	20.6	25.3	24.5
Total Long-term Debt	(6,421.1)	(6,375.1)	(4,944.0)	(5,012.6)	(5,161.6)	(5,407.2)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(33.5)	(33.5)	(117.1)	(117.1)	(33.3)	(33.3)
Receivable position	18.8	18.8	37.2	37.2	3.0	3.0
Interest Rate Hedge Contracts	(82.4)	(82.4)	(3.7)	(3.7)	128.7	128.7

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

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

	Defined Benefit Plans			Medical and Dental Plans		
	2005	2004	2003	2005	2004	2003
Projected benefit obligations, January 1	$ 4,753,225	$ 4,646,321	$ 3,748,425	$ 1,112,124	$ 1,241,845	$ 1,286,831
Service cost — benefits earned during the year	205,286	187,146	192,529	43,554	34,628	43,737
Interest cost on projected benefit obligations	259,709	253,249	247,117	64,088	64,054	69,365
Losses (gains), primarily changes in discount and medical trend rates, plan design changes, law changes and differences between actual and estimated health care costs	142,453	174,669	497,468	138,442	(44,707)	(100,158)
Benefits paid	(195,964)	(191,543)	(169,560)	(65,907)	(67,232)	(57,930)
Spin-off of Hospira	—	(425,069)	—	—	(116,464)	—
Other, primarily foreign currency translation	(123,623)	108,452	130,342	—	—	—
Projected benefit obligations, December 31	$ 5,041,086	$ 4,753,225	$ 4,646,321	$ 1,292,301	$ 1,112,124	$ 1,241,845
Plans' assets at fair value, January 1, principally listed securities	$ 3,465,666	$ 3,017,732	$ 2,373,415	$ —	$ —	$ —
Actual return on plans' assets	384,912	285,794	441,307	9,080	—	—
Company contributions	755,982	565,909	309,473	205,907	67,232	57,930
Benefits paid	(195,964)	(191,543)	(169,560)	(65,907)	(67,232)	(57,930)
Spin-off of Hospira	—	(262,109)	—	—	—	—
Other, primarily foreign currency translation	(61,817)	49,883	63,097	—	—	—
Plans' assets at fair value, December 31	$ 4,348,779	$ 3,465,666	$ 3,017,732	$ 149,080	$ —	$ —
Projected benefit obligations greater than plans' assets, December 31	$ (692,307)	$ (1,287,559)	$ (1,628,589)	$ (1,143,221)	$ (1,112,124)	$ (1,241,845)
Unrecognized actuarial losses, net	1,501,409	1,494,915	1,436,013	697,717	587,976	718,215
Unrecognized prior service cost	5,004	(5,835)	13,575	(264,499)	(285,659)	(334,662)
Net prepaid (accrued) benefit cost	$ 814,106	$ 201,521	$ (179,001)	$ (710,003)	$ (809,807)	$ (858,292)
Accrued benefit cost	$ (463,789)	$ (617,533)	$ (883,358)	$ (710,003)	$ (809,807)	$ (858,292)
Prepaid benefit cost	1,262,892	241,622	206,349	—	—	—
Intangible assets	130	17,261	22,460	—	—	—
Accumulated other comprehensive income (loss)	14,873	560,171	475,548	—	—	—
Net prepaid (accrued) benefit cost	$ 814,106	$ 201,521	$ (179,001)	$ (710,003)	$ (809,807)	$ (858,292)
Service cost — benefits earned during the year	$ 205,286	$ 187,146	$ 192,529	$ 43,554	$ 34,628	$ 43,737
Interest cost on projected benefit obligations	259,709	253,249	247,117	64,088	64,054	69,365
Expected return on plans' assets	(360,304)	(295,294)	(288,454)	(11,948)	—	—
Net amortization	65,812	30,809	6,452	10,409	5,650	6,768
Total cost	170,503	175,910	157,644	106,103	104,332	119,870
Discontinued operations	—	(9,781)	(20,404)	—	(14,349)	(33,630)
Net cost of continuing operations	$ 170,503	$ 166,129	$ 137,240	$ 106,103	$ 89,983	$ 86,240

The projected benefit obligations for non-U.S. defined benefit plans was $1,148,000, $1,132,000 and $950,000 at December 31, 2005, 2004 and 2003, respectively. The accumulated benefit obligations for all defined benefit plans was $4,158,000, $3,954,000 and $3,762,000 at December 31, 2005, 2004 and 2003, respectively. In 2005, Abbott reversed previously recorded minimum pension liability adjustments of $562,429 because the assets of certain defined benefit plans were now in excess of the accumulated benefit obligations due primarily to plan contributions in 2005. This resulted in a credit to Accumulated other comprehensive income (loss) of $346,172, net of taxes. In 2004 and 2003, Abbott recorded minimum pension liability adjustments of $120,475 and $155,134, respectively, because the accumulated benefit obligations for certain defined benefit plans exceeded the market value of the plans' assets. This resulted in charges to Accumulated other comprehensive income (loss) of $75,947 and $99,155 in 2004 and 2003, respectively, net of taxes. For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2005, 2004 and 2003, the aggregate accumulated benefit obligations were $465,000, $3,053,000 and $3,033,000, respectively; the projected benefit obligations were $508,000, $3,738,000 and $3,824,000, respectively; and the aggregate plan assets were $5,000, $2,909,000 and $2,567,000, respectively.

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

	2005	2004	2003
Discount rate	5.5%	5.6%	5.8%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.2%

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

	2005	2004	2003
Discount rate	5.6%	6.0%	6.5%
Expected return on plan assets	8.4%	8.4%	8.6%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.1%

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

	2005	2004	2003
Health care cost trend rate assumed for the next year	7%	7%	8%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2007	2007

The discount rate used to measure liabilities as of December 31, 2005 was determined based on high-quality fixed income investments that match the duration of the expected retiree benefits. Prior to December 31, 2005, the discount rate was determined by reference to a composite corporate AA bond index. The health care cost trend rate represents Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2005, by $201,320/$(161,383), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $19,207/$(15,025).

In 2004, Abbott reflected the requirements of Financial Accounting Standards Board Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." As a result, the projected benefit obligations related to benefits attributed to past service were reduced by approximately $210,000 and the net cost recognized in 2004 was reduced by approximately $33,000.

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

	2005	2004	2003
Asset Category:			
Equity securities	74%	73%	68%
Fixed income securities	26	27	32
Total	100%	100%	100%

The investment mix between equity securities and fixed income securities is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. Abbott's domestic defined benefit plans are invested in diversified portfolios of public-market equity and fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and, in the case of fixed income securities, maturities and credit quality. The plans hold no securities of Abbott. Abbott's international defined benefit plans are invested in a corresponding manner, with some variance in portfolio structure around local practices.

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

Abbott funds its domestic pension plans according to IRS funding limitations. In 2005, 2004 and 2003, $641,000, $482,000 and $200,000, respectively, was funded to the main domestic pension plan**.** International pension plans are funded according to similar regulations.

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

	Defined Benefit Plans	Medical and Dental Plans
2006	$ 191,780	$ 70,060
2007	195,164	72,093
2008	202,949	76,740
2009	203,924	77,614
2010	212,239	83,805
2011 to 2015	1,253,092	490,219

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $100,000 in 2005, $97,000 in 2004 and $90,000 in 2003.

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

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

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries, which are intended to be remitted to the parent company. Except for taxes on dividends that were remitted under the American Jobs Creation Act of 2004, Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $5,797,000 at December 31, 2005. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. Abbott has recorded reserves for income tax loss contingencies in accordance with SFAS No. 5. The maximum possible loss in excess of the recorded reserves is not material. In the U.S., Abbott's federal income tax returns through 2000 are settled, and the income tax returns for years after 2000 are open.

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

	2005	2004	2003
Earnings From Continuing Operations Before Taxes			
Domestic	$ 2,068,232	$ 2,278,180	$ 1,657,298
Foreign	2,551,688	1,847,420	1,729,853
Total	$ 4,619,920	$ 4,125,600	$ 3,387,151

	2005	2004	2003
Taxes on Earnings From Continuing Operations			
Current:			
U.S. Federal and Possessions	$ 526,213	$ 172,322	$ 536,305
State	89,483	43,456	20,873
Foreign	616,118	461,740	403,895
Total current	1,231,814	677,518	961,073
Deferred:			
Domestic	4,709	295,030	(15,780)
Foreign	17,035	(24,272)	(62,519)
Enacted tax rate changes	(5,703)	1,488	(348)
Total deferred	16,041	272,246	(78,647)
Total	$ 1,247,855	$ 949,764	$ 882,426

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

	2005	2004	2003
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Benefit of lower tax rates and tax exemptions in Puerto Rico, the Netherlands and Ireland	(6.4)	(7.8)	(9.1)
Effect of nondeductible portion of a legal settlement	—	—	4.0
Effect of taxes on remittances of foreign earnings in connection with the American Jobs Creation Act of 2004	5.3	—	—
Effect of nondeductible acquired in-process research and development	—	2.0	1.0
State taxes, net of federal benefit	1.2	1.1	0.4
Adjustments primarily related to resolution of prior years' accrual requirements	(1.8)	(3.6)	—
Domestic dividend exclusion	(2.7)	(2.6)	(4.8)
All other, net	(3.6)	(1.1)	(0.4)
Effective tax rate on earnings from continuing operations	27.0%	23.0%	26.1%

As of December 31, 2005, 2004 and 2003, total deferred tax assets were $2,040,906, $2,171,782 and $2,505,502, respectively, and total deferred tax liabilities were $1,355,181, $1,349,972 and $1,075,209, respectively. Valuation allowances for deferred tax assets were not significant. The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

	2005	2004	2003
Compensation and employee benefits	$ 37,578	$ 247,885	$ 539,668
Trade receivable reserves	227,251	223,507	252,559
Inventory reserves	161,934	129,052	163,492
Deferred intercompany profit	319,402	379,560	380,854
State income taxes	49,153	(7,336)	68,489
Depreciation	(157,272)	(193,224)	(203,019)
Acquired in-process research and development and other accruals and reserves not currently deductible	1,132,954	1,111,611	1,005,602
Other, primarily the excess of book basis over tax basis of intangible assets	(1,095,182)	(1,079,388)	(779,402)
Total	$ 675,818	$ 811,667	$ 1,428,243

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

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

REVENUE SEGMENTS — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. On April 30, 2004, Abbott spun off its core hospital products business which

included all of the Hospital Products segment, after its reorganization on January 1, 2004, and a portion of the International segment. For segment reporting purposes, four diagnostic testing divisions are aggregated and reported as the Diagnostic Products segment. Abbott's reportable segments are as follows:

PHARMACEUTICAL PRODUCTS — U.S. sales of a broad line of pharmaceuticals.

DIAGNOSTIC PRODUCTS — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, consumers, commercial laboratories and alternate-care testing sites.

ROSS PRODUCTS — Primarily U.S. sales of a broad line of adult and pediatric nutritional products, pediatric pharmaceuticals and consumer products.

INTERNATIONAL — Non-U.S. sales of Abbott's pharmaceutical and nutritional products.

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

	Net Sales to External Customers			Operating Earnings			Depreciation and Amortization			Additions to Long-term Assets			Total Assets		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Pharmaceutical	$ 8,138	$ 7,010	$ 6,051	$ 2,527	$ 2,459	$ 2,092	$ 65	$ 63	$ 73	$ 177	$ 66	$ 64	$ 3,423	$ 2,911	$ 2,406
Diagnostics (a)	3,756	3,378	3,040	495	378	249	231	201	202	425	399	301	3,742	3,691	3,127
Ross (b)	2,523	2,326	2,136	743	773	720	77	69	65	56	77	93	1,373	1,105	959
International (a)	6,967	6,166	5,321	2,060	1,704	1,295	127	178	198	237	312	297	4,189	4,437	4,559
Total Reportable Segments	21,384	18,880	16,548	$ 5,825	$ 5,314	$ 4,356	$ 500	$ 511	$ 538	$ 895	$ 854	$ 755	$ 12,727	$ 12,144	$ 11,051
Other	954	800	732												
Net Sales	$ 22,338	$ 19,680	$ 17,280												

(a) Net sales and operating earnings for all years presented were favorably affected by the relatively weaker U.S. dollar.

(b) Net sales and operating earnings for the Ross segment in 2005 include $70 from a revised agreement for the U.S. promotion of *Synagis*.

	2005	2004	2003
Total Reportable Segment Operating Earnings	$ 5,825	$ 5,314	$ 4,356
Corporate functions and benefit plans costs	289	341	278
Non-reportable segments	166	223	68
Net interest expense	154	149	146
Acquired in-process research and development	17	279	100
(Income) from TAP Pharmaceutical Products Inc. joint venture	(441)	(375)	(581)
Other, net, including amortization of intangible assets (c)	1,020	571	958
Consolidated Earnings from Continuing Operations Before Taxes	$ 4,620	$ 4,126	$ 3,387

(c) Other, net for 2005 includes $256 for restructuring and impairment charges as discussed in Note 16 and an increase in a bad debt reserve of $58 associated with an unfavorable court ruling. Other, net for 2004 includes acquisition-related charges, primarily related to the TheraSense acquisition. 2003 includes charges of $622 for the settlement of the Ross enteral nutritional investigation and $88 for impairments of assets.

	2005	2004	2003
Total Reportable Segment Assets	$ 12,727	$ 12,144	$ 11,051
Cash and investments	3,090	2,205	1,693
Investment in TAP Pharmaceutical Products Inc. joint venture	167	76	340
Current deferred income taxes	1,249	1,032	1,165
Non-reportable segments	1,321	1,663	582
Assets held for sale to Hospira and assets of Hospira	163	317	2,153
All other, net	10,424	11,330	9,055
Total Assets	$ 29,141	$ 28,767	$ 26,039

	Net Sales to External Customers (d)			Long-Term Assets		
	2005	2004	2003	2005	2004	2003
United States	$ 12,707	$ 11,242	$ 9,919	$ 7,717	$ 7,293	$ 7,071
Japan	1,027	987	897	935	1,044	1,004
Germany	992	811	785	5,467	6,176	5,332
The Netherlands	899	705	556	156	146	129
Italy	806	745	658	211	234	253
Canada	680	595	526	68	68	66
France	657	587	467	92	94	84
Spain	542	513	426	232	275	233
United Kingdom	504	496	397	1,281	1,415	1,250
All Other Countries	3,524	2,999	2,649	1,596	1,288	1,003
Consolidated	$ 22,338	$ 19,680	$ 17,280	$ 17,755	$ 18,033	$ 16,425

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

Note 7 — Litigation and Environmental Matters

As of December 31, 2004, there were several lawsuits pending in connection with the sales of *Hytrin*. These suits alleged that Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws by signing patent settlement agreements with Geneva Pharmaceuticals, Inc. and Zenith Laboratories, Inc. in 1998. Those agreements related to pending patent infringement lawsuits between Abbott and the two companies. In 2005, the court approved settlements with the majority of the plaintiffs in the aggregate amount of $90 million, which was previously reserved. The claims of the remaining plaintiffs are not material and are reserved for by Abbott.

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $3 million, and the aggregate cleanup exposure is not expected to exceed $20 million.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by Abbott. For its legal proceedings and environmental exposures, including those discussed in this note and in Note 8, Abbott estimates the range of possible loss to be from approximately $15 million to $60 million. Reserves of approximately $35 million have been recorded at December 31, 2005 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 8 — TAP Pharmaceutical Products Inc.

As of December 31, 2004, TAP Pharmaceutical Products Inc. (TAP) and Abbott were named as defendants in several lawsuits alleging violations of various state or federal laws in connection with TAP's marketing and pricing of *Lupron*. In 2005, settlements, including a court-approved class settlement, were reached with the majority of the plaintiffs in the aggregate amount of approximately $160 million, which was previously reserved. The claims of the remaining plaintiffs are not material and are reserved for by TAP. Abbott's portion of TAP's remaining reserve is included in the reserve amounts and range in Note 7 above.

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

Note 9 — Spin-off of Hospira

On April 12, 2004, Abbott's Board of Directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc., payable on April 30, 2004. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital Products segment, after that segment's reorganization on January 1, 2004, and portions of Abbott's International segment. The income and cash flows of Hospira and the direct transaction costs of the spin-off have been presented as discontinued operations in the Consolidated Statement of Earnings and Statement of Cash Flows. Prior years' balance sheets have not been adjusted to reflect the effect of the spin-off.

The legal transfer of certain remaining operations and assets (net of liabilities) outside the United States is expected to occur in the first half of 2006. These operations and assets are used in the conduct of Hospira's international business and Hospira is subject to the risks and entitled to the benefits generated by these operations and assets. These assets and liabilities have been presented as held for sale in the Consolidated Balance Sheets as of December 31, 2005 and 2004. The assets and liabilities held for sale consist primarily of inventories, trade accounts receivable, equipment and trade accounts payable, salaries and other accruals.

Abbott has retained liabilities for taxes on income prior to the spin-off, defined benefit, post-employment medical and dental plan obligations and assets, as of the spin-off, for most of Hospira's U.S. retired employees and U.S. retirement eligible employees and certain potential liabilities, if any,

related to alleged improper pricing practices prior to the spin-off in connection with federal, state and private reimbursement for certain drugs.

Summarized financial information for discontinued operations is as follows:

	2004	2003
	(dollars in thousands)	
Net sales	$ 793,129	$ 2,400,228
Earnings before taxes	90,444	347,266
Taxes on earnings	30,429	98,758
Net earnings	60,015	248,508

The financial information above includes the operations of Hospira through April 30, 2004, the date of the spin-off. As a consequence, the results for the full year 2004 include only four months of the operations of Hospira. The results of the discontinued operations also include direct transaction costs of approximately $36 million and $12 million in 2004 and 2003, respectively.

The following is a summary of the assets and liabilities transferred to Hospira on April 30, 2004:

	(dollars in millions)
Trade receivables, net	$ 235
Inventories	481
Prepaid expenses, deferred income taxes, and other receivables	269
Net property and equipment	841
Goodwill	81
Deferred income taxes and other assets	91
Total Assets	$ 1,998
Short-term borrowings	$ 700
Trade accounts payable, salaries and other accruals	346
Post-employment obligations and other long-term liabilities	185
Total Liabilities	$ 1,231
Net Assets Transferred to Hospira	$ 767

Note 10 — Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, replacement stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, restricted stock units, performance units and foreign qualified benefits. Stock options, replacement stock options and restricted stock awards comprise the majority of benefits that have been granted and are currently outstanding under this program and prior programs. In 2005, Abbott granted 21,499,002 stock options, 4,190,704 replacement stock options, 588,821 restricted stock awards and 42,379 restricted stock units under the program. The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options granted in 2005, 2004 and 2003 vest equally over three years except for replacement options, which vest in six months. When an employee tenders mature shares to Abbott upon exercise of a stock option, a replacement stock option is granted equal to the amount of shares tendered. Replacement options are granted at the then current market price for a term that expires on the date of the underlying option grant. Except for replacement options, options granted after December 31, 2004 do not have a replacement option feature. Upon a change in control of Abbott, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards are deemed satisfied. Hospira optionees who

were eligible to retire as of the spin-off date are retired from Abbott for purposes of their outstanding options. Pro forma compensation expense for 2004 reflects the cancellation of the remaining options. Abbott options were adjusted for the effects of the spin-off on the intrinsic value of the options and resulted in the issuance of an additional 8.2 million Abbott options.

At January 1, 2006, approximately 47 million shares were reserved for future grants under the 1996 Program. Subsequent to year-end, the Board of Directors granted approximately 25 million stock options and restricted stock awards and units from this reserve.

	Options Outstanding		Exercisable Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
January 1, 2003	99,680,756	$ 43.58		
Granted	27,464,985	36.56		
Exercised (total intrinsic value was $99,311,000)	(7,032,966)	29.08		
Lapsed	(2,602,110)	47.58		
December 31, 2003	117,510,665	42.71	71,944,163	$ 41.80
Granted	25,617,191	43.51		
Exercised (total intrinsic value was $132,602,000)	(10,173,088)	30.54		
Lapsed	(4,868,809)	45.09		
Cancelled in connection with the spin-off of Hospira	(4,826,161)	43.81		
Issued in connection with the spin-off of Hospira	8,228,700	n/a		
December 31, 2004	131,488,498	41.01	85,810,967	41.28
Granted	25,689,706	46.46		
Exercised (total intrinsic value was $188,754,000)	(13,030,288)	32.63		
Lapsed	(3,025,105)	45.24		
December 31, 2005	141,122,811	$ 42.69	98,328,158	$ 42.77

The number of restricted stock awards and units outstanding and their weighted-average grant-date fair value at January 1, 2005 and December 31, 2005 was 2,093,100 ($50.92) and 2,381,800 ($50.09), respectively. The number of restricted stock awards and units, and their weighted-average grant-date fair value, granted, vested and lapsed during 2005 were 610,200 ($46.14), 262,501 ($49.01) and 58,999 ($43.50), respectively. The fair value of restricted stock awards and units vested in 2005, 2004, and 2003 was $12,949,000, $16,469,000 and $12,712,000, respectively.

	Options Outstanding at December 31, 2005			Exercisable Options at December 31, 2005		
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
$20 to $39	34,617,055	4.9	$ 32.46	27,217,030	4.3	$ 32.20
40 to 46	58,166,583	6.1	42.89	44,213,471	5.4	43.45
47 to 55	48,339,173	7.6	49.76	26,897,657	6.3	52.37
$20 to $55	141,122,811	6.3	$ 42.69	98,328,158	5.4	$ 42.77

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2005 was $241,000,000 and $197,000,000, respectively. The total unrecognized compensation cost related to all stock-based compensation plans at December 31, 2005 amounted to $201,000,000 and is expected to be recognized over the next three years.

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

	2005	2004	2003
Net income, as reported	$ 3.4	$ 3.2	$ 2.8
Compensation cost under fair value-based accounting method, net of taxes of $0.07 in 2005 and 2004 and $0.08 in 2003	(0.2)	(0.2)	(0.3)
Net income, pro forma	$ 3.2	$ 3.0	$ 2.5
Diluted EPS from Continuing Operations, as reported	$ 2.16	$ 2.02	$ 1.59
Diluted EPS from Continuing Operations, pro forma	2.02	1.90	1.47
Basic EPS, as reported	2.17	2.07	1.76
Basic EPS, pro forma	2.04	1.94	1.62
Diluted EPS, as reported	2.16	2.06	1.75
Diluted EPS, pro forma	2.02	1.94	1.62

The weighted average fair value of an option granted in 2005, 2004 and 2003 was $12.17, $11.79 and $8.73, respectively. For purposes of fair value disclosures, the fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2005	2004	2003
Risk-free interest rate	3.8%	2.9%	2.7%
Average life of options (years)	5.4	5.4	5.4
Volatility	29.0%	32.0%	32.0%
Dividend yield	2.2%	2.2%	2.8%

In 2006, Abbott will adopt Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," which requires that fair value be recorded in the results of operations. Stock compensation expense under the prior rules would have reduced reported diluted earnings per share by $0.14 in 2005. Upon adoption of the revised standard, prior awards are charged to expense under the prior rules, and awards after adoption are charged to expense under the revised rules. Based upon the valuation of stock options granted in the 2006 annual grant, which comprise the majority of the grant activity for the year, Abbott estimates the impact of the 2006 change in stock compensation expense on diluted earnings per share of approximately $0.15, which includes $0.14 per diluted share for the impact of expensing the fair value of stock options. The effect of adopting the new rules on reported diluted earnings per share is dependent on the number of options granted in the future, the terms of those awards and their fair values, and therefore, the effect on diluted earnings per share could change.

Note 11 —Debt and Lines of Credit *(dollars in thousands)*

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

	2005	2004	2003
6.8% debentures, due 2005	$ —	$ —	$ 150,000
5.625% debentures, due 2006	—	1,600,000	1,600,000
6.4% debentures, due 2006	—	250,000	250,000
0.77% Yen notes, due 2007	83,654	97,343	91,324
Notes, variable interest above LIBOR, due 2008	770,000	—	—
Euro notes, variable interest above LIBOR, due 2008	638,766	—	—
British Pound notes, variable interest above LIBOR, due 2008	344,000	—	—
6.0% debentures, due 2008	200,000	200,000	200,000
5.4% debentures, due 2008	200,000	200,000	200,000
1.05% Yen notes, due 2008	418,270	486,713	456,621
3.5% debentures, due 2009	500,000	500,000	—
1.51% Yen notes, due 2010	125,481	146,014	136,986
3.75% debentures, due 2011	500,000	500,000	—
1.95% Yen notes, due 2013	209,135	243,356	228,311
4.35% debentures, due 2014	500,000	500,000	—
Other, including fair market value adjustments relating to interest rate hedge contracts designated as fair value hedges	82,198	64,508	139,087
Total, net of current maturities	4,571,504	4,787,934	3,452,329
Current maturities of long-term debt	1,849,563	156,034	1,709,265
Total carrying amount	$ 6,421,067	$ 4,943,968	$ 5,161,594

Principal payments required on long-term debt outstanding at December 31, 2005, are $1,855,323 in 2006, $88,986 in 2007, $2,667,698 in 2008, $501,199 in 2009, $126,530 in 2010 and $1,263,710 thereafter.

At December 31, 2005, Abbott had $3,000,000 of unused lines of credit, which support commercial paper borrowing arrangements. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's weighted average interest rate on short-term borrowings, primarily Japanese borrowings at December 31, 2005, was 1.3% at December 31, 2005, 2.2% at December 31, 2004 and 1.1% at December 31, 2003.

Note 12 — Business Combinations and Technology Acquisitions

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

In 2004, Abbott paid approximately $2.3 billion for strategic business and technology acquisitions, as follows. Abbott acquired TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self-monitoring systems, for approximately $1.2 billion in cash; i-STAT Corporation, a manufacturer of point-of-care diagnostic products for blood analysis, for approximately $394 million in cash; EAS, a nutritional company with a portfolio of nationally recognized brands, for approximately $320 million in cash; and Spine Next, a manufacturer of orthopedic spinal implant devices, for

approximately $58 million in cash plus additional milestone payments of up to $23 million upon achievement of future targets. Abbott also acquired certain other product technologies for approximately $352 million. These acquisitions resulted in a charge of $271 million for acquired in-process research and development, intangible assets of approximately $1.3 billion, non-tax deductible goodwill of approximately $923 million and deferred income taxes of approximately $406 million. Acquired intangible assets, primarily trade names, are amortized over 5 to 20 years (average of approximately 14 years).

In 2003, Abbott paid approximately $459 million for strategic business and technology acquisitions, as follows. Abbott acquired ZonePerfect Nutrition Company, a marketer of healthy and nutritious products for active people, for approximately $160 million in cash; Integrated Vascular Systems, Inc., a developer of a novel vessel closure technology, for approximately $65 million in cash; and Spinal Concepts Inc., a marketer of spinal fixation products used in the treatment of spinal disorders, diseases and injuries, for approximately $166 million in cash plus additional milestone payments of up to $40 million if agreed upon targets are met. Abbott also acquired the assets of JOMED N.V.'s coronary and peripheral interventional business for approximately $68 million in cash. These acquisitions resulted in a charge of approximately $100 million for acquired in-process research and development, intangible assets of approximately $222 million and non-tax deductible goodwill of approximately $182 million. Acquired intangible assets, primarily product technology, are amortized over 9 to 25 years (average of approximately 16 years).

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

In early 2006, Abbott agreed to acquire Guidant's vascular intervention and endovascular solutions businesses for $4.1 billion in connection with Boston Scientific's acquisition of Guidant. Abbott would also pay $250 million each upon government approvals to market Guidant's drug-eluting stent in the U.S. and in Japan. In addition, Abbott agreed to provide Boston Scientific a $900 million 4 percent loan and to acquire $1.4 billion of Boston Scientific common stock directly from Boston Scientific contingent upon the closing of the Guidant acquisition. The acquisition is expected to be completed in the first half of 2006.

Note 13 — Goodwill and Intangible Assets *(dollars in millions)*

Abbott recorded goodwill of $69, $923 and $182 in 2005, 2004 and 2003, respectively, related to acquisitions. Foreign currency translation and other adjustments (decreased) increased goodwill in 2005, 2004 and 2003 by $(535), $394 and $522, respectively. In connection with the spin-off of Hospira in 2004, Abbott transferred $81 of goodwill to Hospira. There were no other reductions of goodwill relating to impairments or disposal of all or a portion of a business.

The gross amount of amortizable intangible assets, primarily product rights and technology, was $6,776, $6,622 and $4,841 as of December 31, 2005, 2004 and 2003, respectively, and accumulated amortization was $2,053, $1,468 and $899 as of December 31, 2005, 2004 and 2003, respectively. Intangible assets with indefinite lives are not significant. The estimated annual amortization expense for intangible assets is $486 in 2006, $475 in 2007, $460 in 2008, $459 in 2009 and $461 in 2010. Intangible assets are amortized primarily on a straight-line basis over 4 to 25 years (average 13 years).

Note 14 — Equity Method Investments *(dollars in millions)*

Abbott's 50 percent-owned joint venture, TAP Pharmaceutical Products Inc. (TAP), is accounted for under the equity method of accounting. The investment in TAP was $167, $76 and $340 at December 31, 2005, 2004 and 2003, respectively. Dividends received from TAP were $343, $638 and $606 in 2005, 2004 and 2003, respectively. Abbott performs certain administrative and manufacturing services for TAP at

negotiated rates that approximate fair market value. Summarized financial information for TAP is as follows:

	Year Ended December 31		
	2005	2004	2003
Net sales	$ 3,260.0	$ 3,361.6	$ 3,979.6
Cost of sales	883.4	990.4	1,066.8
Income before taxes	1,379.3	1,181.1	1,815.5
Net income	882.8	750.0	1,161.9

	December 31		
	2005	2004	2003
Current assets	$ 1,339.1	$ 951.7	$ 1,451.6
Total assets	1,470.2	1,176.6	1,718.1
Current liabilities	1,082.2	976.8	965.8
Total liabilities	1,136.2	1,025.2	1,037.2

Undistributed earnings of investments accounted for under the equity method amounted to approximately $151 as of December 31, 2005.

Note 15 — Stock Purchase Rights

Common shares outstanding are subject to stock purchase rights. The rights are exercisable only if a person or group acquires ten percent or more of Abbott common shares or announces a tender or exchange offer which would result in ownership of ten percent or more of Abbott common shares. Following the acquisition of ten percent or more of Abbott's common shares, the holders of the rights, other than the acquiring person or group, may purchase Abbott common shares at half price. In the event of a merger or other acquisition of Abbott, the holders of the rights, other than the acquiring person or group, may purchase shares of the acquiring entity at half price. The rights were not exercisable at December 31, 2005.

Note 16 — Restructuring Plans *(dollars in millions)*

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

The following summarizes the restructuring activity for the global pharmaceutical manufacturing operations restructuring:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 44.1	$ 52.7	$ 96.8
Payments and impairments	(0.3)	(52.7)	(53.0)
Accrued balance at December 31, 2005	$ 43.8	$ —	$ 43.8

The following summarizes the restructuring activity for all other restructurings, which are individually not material:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 147.6	$ 11.1	$ 158.7
Payments and impairments	(36.6)	(11.1)	(47.7)
Accrued balance at December 31, 2005	$ 111.0	$ —	$ 111.0

Abbott expects to incur up to an additional $150 in future periods for restructuring plans, primarily for accelerated depreciation and plant and equipment dispositions.

Note 17 — Quarterly Results (Unaudited) ***(dollars in millions except per share data)***

	2005	2004	2003
First Quarter			
Net Sales	$ 5,382.7	$ 4,640.9	$ 4,008.9
Gross Profit	2,860.1	2,567.4	2,209.0
Net Earnings	837.9	822.9	801.0
Basic Earnings Per Common Share (a)	.54	.53	.51
Diluted Earnings Per Common Share (a)	.53	.52	.51
Market Price Per Share-High	48.16	47.25	40.85
Market Price Per Share-Low	43.34	39.28	33.75
Second Quarter			
Net Sales	$ 5,523.8	$ 4,703.0	$ 4,126.3
Gross Profit	2,892.0	2,634.3	2,277.9
Net Earnings (b)	877.1	634.3	246.6
Basic Earnings Per Common Share (a)(b)	.56	.41	.16
Diluted Earnings Per Common Share (a)(b)	.56	.40	.16
Market Price Per Share-High	49.98	44.67	46.94
Market Price Per Share-Low	45.98	39.43	37.57
Third Quarter			
Net Sales	$ 5,384.0	$ 4,681.7	$ 4,247.8
Gross Profit	2,706.8	2,566.8	2,319.1
Net Earnings (c)	680.7	804.1	761.2
Basic Earnings Per Common Share (a)(c)	.44	.52	.49
Diluted Earnings Per Common Share (a)(c)	.44	.51	.48
Market Price Per Share-High	50.00	43.20	45.09
Market Price Per Share-Low	41.57	38.26	37.65
Fourth Quarter			
Net Sales	$ 6,047.3	$ 5,654.4	$ 4,897.3
Gross Profit	3,237.8	3,027.3	2,700.1
Net Earnings	976.4	974.6	944.4
Basic Earnings Per Common Share (a)	.63	.62	.60
Diluted Earnings Per Common Share (a)	.63	.62	.60
Market Price Per Share-High	44.36	47.63	47.15
Market Price Per Share-Low	37.50	40.25	39.95

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

(b) Second quarter 2003 included a pretax charge of $622 for the settlement of litigation.

(c) Third quarter 2005 includes pretax restructuring charges of $201.

Management Report on Internal Control Over Financial Reporting

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

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

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2005. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2005, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on our assessment of the company's internal control over financial reporting. This report appears on page 75.

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

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

Greg W. Linder
VICE PRESIDENT AND CONTROLLER

February 17, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2005, 2004 and 2003, and the related consolidated statements of earnings, shareholders' investment, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Abbott Laboratories and subsidiaries as of December 31, 2005, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP
Chicago, Illinois
February 17, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting dated February 17, 2006, that Abbott Laboratories and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2005 of the Company and our report dated February 17, 2006 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP
Chicago, Illinois
February 17, 2006

TAP Pharmaceutical Products Inc.

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

	Years Ended December 31		
	2005	2004	2003
Net Sales	$ 3,259,850	$ 3,361,634	$ 3,979,629
Cost of Sales	883,404	990,417	1,066,760
Gross Profit	2,376,446	2,371,217	2,912,869
Selling, General and Administrative	783,041	1,027,203	935,347
Research and Development	219,412	167,625	167,938
Income from Operations	1,373,993	1,176,389	1,809,584
Interest Income	5,339	9,293	9,712
Other (Expense), net	(1)	(4,630)	(3,832)
Income Before Taxes	1,379,331	1,181,052	1,815,464
Provision for Income Taxes	496,559	431,083	653,566
Net Income	882,772	749,969	1,161,898
Other Comprehensive Income:			
Net unrealized (losses) on investment and forward contracts	(13,959)	(3,066)	(10,085)
Comprehensive Income	$ 868,813	$ 746,903	$ 1,151,813

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Statements of Cash Flows
(dollars in thousands)

	Years Ended December 31		
	2005	2004	2003
Cash Flows From Operating Activities:			
Net income	$ 882,772	$ 749,969	$ 1,161,898
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	24,137	29,022	35,518
Deferred income taxes	65,349	(70,219)	28,791
Changes in assets and liabilities:			
Accounts receivable	(158,980)	75,444	40,568
Inventories	1,049	7,217	(43,807)
Prepaid expenses and other assets	9,138	(11,322)	(2,963)
Accounts payable and accrued liabilities	(62,429)	(99,930)	(17,794)
Accrued rebates	163,643	98,254	181,737
Accrued compensation and benefits	9,745	(10,305)	(13,720)
Net Cash Flows From Operating Activities	934,424	768,130	1,370,228
Cash Flows (Used in) From Investing Activities:			
Proceeds from maturities of investments	153,350	316,750	373,488
Purchases of investments	(281,150)	(99,600)	(357,750)
Capital expenditures	(6,759)	(6,785)	(7,078)
Net Cash Flows (Used in) From Investing Activities	(134,559)	210,365	8,660
Cash Flows (Used in) Financing Activities:			
Dividends paid	(686,155)	(1,276,448)	(1,211,414)
Payments under capital lease obligations	(15,344)	(8,518)	—
Cash Flows (Used in) Financing Activities	(701,499)	(1,284,966)	(1,211,414)
Net Increase (Decrease) in Cash and Cash Equivalents	98,366	(306,471)	167,474
Cash and Cash Equivalents — Beginning of Year	62,155	368,626	201,152
Cash and Cash Equivalents — End of Year	$ 160,521	$ 62,155	$ 368,626
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for income taxes	$ 409,336	$ 579,140	$ 505,004

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Balance Sheets
(in thousands, except share amount)

	December 31	
	2005	**2004**
Assets		
Current Assets:		
Cash and cash equivalents	$ 160,521	$ 62,155
Short-term investments, primarily debt obligations issued by governmental agencies	229,966	27,408
Accounts receivable, net of allowances: 2005 — $57,447; 2004 — $44,853	664,098	505,118
Inventories	160,240	161,289
Deferred income taxes	72,029	120,051
Prepaid expenses and other assets	52,248	75,227
Total Current Assets	1,339,102	951,248
Property and Equipment, net	110,528	113,062
Other Assets, net	2,922	2,298
Long-Term Investments, primarily debt obligations issued by governmental agencies	—	75,000
Deferred Income Taxes	17,630	34,957
	$ 1,470,182	$ 1,176,565
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 206,209	$ 199,369
Payable to Takeda	47,743	87,447
Payable to Abbott	36,714	86,018
Accrued rebates	674,684	511,041
Income taxes payable	63,577	50,074
Accrued compensation and benefits	53,262	42,802
Total Current Liabilities	1,082,189	976,751
Other Liabilities	53,971	48,450
Total Liabilities	1,136,160	1,025,201
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, no par value — authorized, issued and outstanding, 200 shares	39,500	39,500
Additional paid-in capital	6,449	6,449
Accumulated other comprehensive (loss)	(14,704)	(745)
Retained earnings	302,777	106,160
Total Shareholders' Equity	334,022	151,364
	$ 1,470,182	$ 1,176,565

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2005, 2004 and 2003
(dollars in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2003	200	$ 39,500	$ 6,449	$ 12,406	$ 682,155	$ 740,510
Net income	—	—	—	—	1,161,898	1,161,898
Net unrealized loss on option and forward contracts, net of taxes of $(6,051)	—	—	—	(10,085)	—	(10,085)
Dividends	—	—	—	—	(1,211,414)	(1,211,414)
Balance, December 31, 2003	200	39,500	6,449	2,321	632,639	680,909
Net income	—	—	—	—	749,969	749,969
Net unrealized loss on investment and forward contracts, net of taxes of $(1,150)	—	—	—	(3,066)	—	(3,066)
Dividends	—	—	—	—	(1,276,448)	(1,276,448)
Balance, December 31, 2004	200	39,500	6,449	(745)	106,160	151,364
Net income	—	—	—	—	882,772	882,772
Net unrealized loss on investment and forward contracts, net of taxes of $(8,368)	—	—	—	(13,959)	—	(13,959)
Dividends	—	—	—	—	(686,155)	(686,155)
Balance, December 31, 2005	200	$ 39,500	$ 6,449	$ (14,704)	$ 302,777	$ 334,022

See notes to consolidated financial statements.

(dollars in thousands)

Note 1. Description of the Business

TAP Pharmaceutical Products Inc. and subsidiaries (TAP) is a Delaware corporation owned equally by Abbott Laboratories (Abbott), an Illinois corporation, and Takeda America Holdings, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company, Ltd., a Japanese corporation (collectively Takeda). TAP is headquartered in Lake Forest, Illinois and has approximately 3,100 employees. Under an agreement between Abbott and Takeda, TAP develops, markets and sells human pharmaceutical products in the United States, Puerto Rico, and Canada. TAP operates as one business segment with sales primarily in the United States.

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

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

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

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

	2005	2004	2003
Prevacid	$ 2,501,052	$ 2,592,116	$ 3,190,220
Lupron	698,806	770,210	787,768

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

	2005	2004	2003
Wholesale distributor A	22%	20%	25%
Wholesale distributor B	20%	19%	24%
Wholesale distributor C	14%	19%	17%

In 2005, TAP licensed the *Prevacid* trademark, certain patents and technical information to a third party for the over-the-counter sale of *Prevacid* in the United States. Consideration for the license includes upfront and milestone payments in addition to royalties on future over-the-counter sales of *Prevacid*.

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

Note 2. Summary of Significant Accounting Policies

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

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

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

INVESTMENT SECURITIES — Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive (loss).

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

	2005	2004
Finished goods	$ 104,931	$ 95,337
Work-in-process	55,309	65,952
Total inventories	$ 160,240	$ 161,289

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

Building	50 years
Leasehold improvements	2-3 years (or life of lease, whichever is less)
Automobiles	50 months
Furniture and fixtures	10-20 years
Computer hardware and software	3-10 years

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

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title and risk of loss to customers (when product is delivered to a common carrier). Revenue from license of product

rights is recorded over the periods earned. Provisions for estimated rebates and sales incentives to customers, doubtful accounts, cash discounts, product returns and customer chargebacks are provided for in the period of the related sale. Rebates and sales incentives are recorded as accrued rebates in the balance sheets. Reserves for doubtful accounts, cash discounts, product returns and customer chargebacks are recorded as reductions to accounts receivable. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

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

ADVERTISING AND PROMOTION EXPENSE — All advertising and promotion costs are expensed as Selling, general and administrative expenses when incurred. Total advertising and promotion expense incurred was $203,375, $227,882 and $344,141 for 2005, 2004 and 2003, respectively.

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

RECLASSIFICATIONS — Investments in auction rate securities at December 31, 2003 of $237,750 have been reclassified from cash and cash equivalents to short-term investments because such investments had maturities greater than 90 days. This reclassification increased investing activities in 2004 and decreased investing activities in 2003 as reflected in the accompanying Consolidated Statements of Cash Flows. In addition, certain other reclassifications have been made to prior year financial statements to conform to the current-year presentation.

Note 3. Property and Equipment and Lease Obligations

Property and equipment consists of the following at December 31:

	2005	2004
Land and land improvements	$ 13,337	$ 13,337
Building	17,884	17,884
Leasehold improvements	687	687
Furniture and fixtures	34,802	33,919
Computer hardware and software	48,708	45,628
Construction-in-progress	2,297	2,296
Automobiles under capital leases	49,237	52,113
Tooling	1,360	1,741
Property and equipment	168,312	167,605
Less accumulated depreciation and amortization	(57,784)	(54,543)
Property and equipment, net	$ 110,528	$ 113,062

TAP leases certain administrative and regional sales offices, equipment, and automobiles under non-cancelable leases, which expire at various dates through 2011. Lease expense totaled $5,153, $4,990

and $5,220 for 2005, 2004 and 2003, respectively. Future minimum lease payments under non-cancelable operating and capital leases as of December 31, 2005 consist of the following:

2006	$	17,142
2007		13,770
2008		10,082
2009		4,231
Thereafter		3,676
Total	$	48,901

Note 4. Financial Instruments and Derivatives

TAP enters into foreign currency forward contracts and purchases Yen call options to hedge purchases of inventories at fixed Yen-denominated prices. The forward contracts require TAP to purchase Yen in exchange for U.S. dollars at pre-determined exchange rates. The Yen call options give TAP the right to purchase Yen in exchange for U.S. dollars at pre-determined strike prices. Both forward and option contracts are designated as cash flow hedges of the variability of cash flows due to changes in exchange rates. TAP does not trade financial instruments with the objective of earning financial gains on the exchange rate fluctuations alone, nor does it trade in currencies or commodities for which there are no underlying exposures.

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

At December 31, 2005, TAP had outstanding foreign exchange forward contracts with notional values of $392,096 and fair values of $(18,638). There were no foreign currency contracts outstanding at December 31, 2004. The fair value of these contracts is recorded as accounts payable and other liabilities at December 31, 2005. During 2005, 2004, and 2003 cash flow hedge ineffectiveness was not material.

The carrying value of cash and cash equivalents and short-term investments approximates fair value due to the short-term maturity of the investments. The fair value of long-term investments in debt obligations was $74,111 as of December 31, 2004.

Note 5. Employee Benefit Plans

TAP employees participate in various Abbott employee benefit plans, including the Abbott Laboratories Annuity Retirement Plan, the Abbott Laboratories Stock Retirement Plan, and the Abbott Laboratories Incentive Stock Program (see Note 6 for further details). TAP is billed for its share of the costs of these plans. TAP's share of the employer contribution to the Abbott Laboratories Annuity Retirement Plan is allocated based on TAP's proportionate share of the total compensation expense of all participants in the plan. TAP made contributions in 2005, 2004 and 2003 of $16,000, $43,088 and $16,520, respectively, to the plan. TAP's contribution to the Abbott Laboratories Stock Retirement Plan is based on participating employee contributions. TAP's contributions for 2005, 2004, and 2003 were $12,619, $11,563 and $11,251, respectively.

TAP provides health and welfare benefits to its employees through the TAP Pharmaceutical Products Inc. Healthcare Plan (Healthcare Plan). Contributions are made in accordance with the Healthcare Plan's funding policy. TAP provides certain medical and life insurance benefits to qualifying

retirees through the TAP Pharmaceutical Products Inc. Retiree Medical Plan (Retiree Plan). The following provides a reconciliation of the post-employment benefit obligations and funded status of the Retiree Plan:

	2005	2004
Change in benefit obligations:		
Projected benefit obligations, January 1	$ 23,067	$ 20,589
Service cost	2,592	2,467
Interest cost	1,242	1,119
Actuarial loss (gain)	1,102	(763)
Benefits paid	(325)	(345)
Projected benefit obligations, December 31	$ 27,678	$ 23,067
Reconciliation of funded status:		
Unfunded status	$ (27,678)	$ (23,067)
Unrecognized net actuarial loss	12,390	11,670
Unrecognized prior service cost	(7,544)	(7,945)
Accrued post-employment benefit liability, December 31	$ (22,832)	$ (19,342)

The components of net cost are as follows:

	2005	2004	2003
Service cost	$ 2,592	$ 2,467	$ 2,149
Interest cost	1,242	1,119	978
Net amortization	(19)	19	(6)
Net cost	$ 3,815	$ 3,605	$ 3,121

The discount rates used to determine benefit obligations for medical and dental plans as of December 31, the measurement date for the plan, was 5.75 percent and 5.8 percent for 2005 and 2004, respectively. The discount rates used to determine net cost for medical and dental plans for 2005, 2004 and 2003 were 5.8 percent, 6.0 percent, and 6.75 percent, respectively.

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

	2005	2004	2003
Health care cost trend rate assumed for the next year	7%	7%	8%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2007	2007

A one-percentage point increase (decrease) in the assumed health care trend rate would increase (decrease) the accumulated post-employment benefit obligations as of December 31, 2005 by approximately $7,012 and $(5,255), respectively, and the total of the service and interest cost components of net post-employment benefit cost for the year then ended by approximately $1,123 and $(827), respectively.

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

2006	$ 427
2007	474
2008	550
2009	609
2010	732
2011 to 2015	5,954

Note 6. Incentive Stock Program

Certain employees of TAP are granted options to purchase Abbott common stock under the 1996 Abbott Incentive Stock Program and prior plans. Stock options and replacement stock options granted to TAP employees are currently outstanding under this and prior plans. The purchase price of shares under option must be at least equal to the fair market value of the Abbott common stock on the date of grant, and the maximum term of an option is 10 years. Options granted vest equally over three years except for replacement options, which generally vest in six months and have a life equal to the remaining life of the replaced option. Upon a change in control of Abbott, all outstanding stock options become fully exercisable.

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

As of December 31, 2005 and 2004, TAP has recorded a derivative liability for options granted after the adoption of EITF No. 02-08 of $37,982 and $42,390, respectively. Changes in the fair value of these options are recorded as Selling, general and administrative expense. Fair value is determined using the Black-Scholes option-pricing model.

As of December 31, 2005 and 2004, TAP has recorded a liability for exercised options of $7,119 and $4,199, respectively, as Payable to Abbott. TAP also has recorded a liability for options issued before the adoption of EITF No. 02-08 for the difference between the market value and strike price of vested yet unexercised options of $5,009 and $19,402 as of December 31, 2005 and 2004, respectively. Total expense (income) related to the Abbott Incentive Stock Program of $(12,553), $26,493 and $25,350 was recorded as Selling, general and administrative expense in 2005, 2004 and 2003, respectively.

Due to the impact of significant fluctuations in the market price of Abbott common stock on the amount of recorded compensation expense of options issued under the Abbott Incentive Stock Program, TAP entered into an ISDA Master Agreement (Master Agreement), dated September 29, 2000, which allows TAP to enter into equity swap transactions to hedge this market price exposure. Each equity swap transaction guarantees a return equal to the actual return on a specified number of shares of Abbott common stock and, as such, effectively acts as a hedge of the Abbott Incentive Stock Program. From time to time, TAP enters into equity swap transactions under the Master Agreement. Each transaction has a term of one to three years and requires quarterly cash settlement resulting in all gains and losses being realized and recorded in the statements of income. Each transaction requires ongoing quarterly interest payments based on the equity notional amount, or the fair value of Abbott common stock shares swapped under each transaction at the date of the swap at a rate of LIBOR plus 114 basis points or 100 basis points for transactions prior to October 2003. Each equity swap transaction is recorded at fair value. The fair value of equity swaps was $(212) and $19,559 as of December 31, 2005 and 2004, respectively, and is recorded as Prepaid expenses and other assets in the balance sheets. For 2005, 2004 and 2003, TAP

recorded as Selling, general and administrative expenses $27,945, $(19,085) and $(28,600), respectively, of loss (gain) related to the equity swap investments.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment." The effect of adopting the new rules on reported income is dependent on the number of options granted in the future and the fair value of those options.

Note 7. Income Taxes

Loss contingency provisions are recorded for the estimated amount of audit settlements under the provisions of Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies." TAP's U.S. income tax liabilities for years 1999 and forward are subject to final determination by the Internal Revenue Service (IRS). The IRS has challenged the deductibility of an item in TAP's 2001 tax return. Management believes its deduction is proper and expects the ultimate resolution will not have a material impact on TAP's financial position, cash flows or results of operations. To the extent that amounts that have been previously deducted differ materially from the actual amounts that are determined to be deductible, TAP's net earnings in future periods could be materially affected.

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

	2005	2004	2003
Current:			
U.S. Federal	$ 407,274	$ 481,880	$ 595,393
State	15,560	18,879	23,331
Total current	422,834	500,759	618,724
Deferred:			
U.S. Federal	66,444	(62,788)	32,520
State	7,281	(6,888)	2,322
Total deferred	73,725	(69,676)	34,842
Total	$ 496,559	$ 431,083	$ 653,566

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

	2005	2004	2003
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.0	0.8	0.9
Other	—	0.7	0.1
Effective tax rate	36.0%	36.5%	36.0%

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

	2005	2004
Non-currently deductible escrow payment	$ 30,960	$ 54,750
Accounts receivable allowances and inventory reserves	18,499	14,635
Accrued rebates	—	7,618
Accrued compensation and benefits	15,543	5,921
Other, primarily accrued legal expenses, state and local taxes, and prepaid royalties not currently deductible	24,657	72,084
Total	89,659	155,008
Less current portion	(72,029)	(120,051)
Long-term net deferred tax assets	$ 17,630	$ 34,957

Note 8. Litigation and Related Matters

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

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

Note 9. Related-Party Transactions

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

TAP pays Abbott for services related to packaging and warehousing, research and development, administrative functions, and, in 2004 and 2003, a residual royalty under a co-promotion agreement. Amounts incurred for these services totaled $59,969, $142,676 and $312,309 for 2005, 2004 and 2003, respectively. Under the co-promotion agreement, Abbott promoted *Prevacid* until June 30, 2003. Abbott acted as an agent for TAP and did not take title or ownership of TAP's products. In addition, Abbott purchased, for international markets, TAP's products for $75,295, $73,934 and $69,691 in 2005, 2004 and 2003, respectively.

TAP purchases all *Lupron Depot* and *Prevacid* unpackaged finished goods inventories from Takeda. Purchases are contracted at fixed Yen-denominated prices. The actual cost, in U.S. dollars, paid to Takeda for purchases of these inventories in 2005, 2004 and 2003, totaled $753,096, $714,712 and $733,757, respectively. TAP has royalty agreements with Takeda for sales of *Lupron*, *Lupron Depot* and *Prevacid*. For 2005, 2004 and 2003, TAP recorded royalty expense of $173,878, $179,256 and $216,341, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of TAP Pharmaceutical Products, Inc. and subsidiaries (TAP) as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of TAP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of TAP Pharmaceutical Products, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 3, 2006

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 73 hereof. The report of Abbott's independent registered public accounting firm related to management's assessment of the effectiveness of internal control over financial reporting is included on page 75 hereof.

Changes in internal control over financial reporting. During the quarter ended December 31, 2005, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference are "Committees of the Board of Directors," "Information Concerning Nominees for Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance" to be included in the 2006 Abbott Laboratories Proxy Statement. The 2006 Proxy Statement will be filed on or about March 21, 2006. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 19 through 25 hereof.

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

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2006 Proxy Statement under the headings "Compensation of Directors" and "Executive Compensation," other than the Report of the Compensation Committee and the Performance Graph, is incorporated herein by reference. The 2006 Proxy Statement will be filed on or about March 21, 2006.

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

(a) *Equity Compensation Plan Information*

	(a)	(b)	(c)
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	140,977,323	$ 42.71	24,058,873(1)
Equity compensation plans not approved by security holders(2)	145,488	$ 18.34	4,434,318(3)
Total	141,122,811	$ 42.69	28,493,191

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

If there is a lapse, expiration, termination, or cancellation of any benefit granted under either the 1996 Program or the Abbott Laboratories 1991 Incentive Stock Program without the issuance of shares or payment of cash thereunder, or if shares are issued under any benefit under the 1996 Program or the 1991 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 1996 Program. However, the common shares issued under the 1996 Program, which are not reacquired by Abbott pursuant to rights reserved upon their issuance or pursuant to payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, may not exceed the total number of shares reserved for issuance under the 1996 Program.

The 1996 Program automatically authorizes the annual addition of Abbott common stock for use in connection with the grant of 1996 Program benefits. The Program's automatic annual addition is equal to 1.5 percent of Abbott's total issued and outstanding common shares on the first day of each calendar year beginning January 1, 2000.

(2) (i) *Perclose, Inc. 1992 Stock Plan and the Perclose, Inc. 1997 Stock Plan.* In 1999, in connection with its merger with Perclose, Inc., Abbott assumed options outstanding under both the Perclose, Inc. 1992 Stock Plan and the Perclose, Inc. 1997 Stock Plan. As of December 31, 2005, 145,488 options remained outstanding under the plans. These options have a weighted-average purchase price of $18.34.

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

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

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

(iv) *Abbott Canada Stock Retirement Purchase Plan.* Eligible employees of Abbott Canada may participate in the plan. Each eligible employee may contribute 2% of eligible compensation up to a maximum of $4,000 (Canadian). Abbott Canada matches employee contributions on the basis of a formula that takes into account both the amount of the employee's contributions and the employee's length of service. Contributions are used to buy Abbott common shares on the open market at its then current market price.

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

(3) The number of securities includes:

(i) 2,021,777 shares available for issuance under the Abbott Laboratories Affiliate Employee Stock Purchase Plan,

(ii) 1,324,945 shares available for issuance under the Abbott Laboratories Employee Share Ownership Plan,

(iii) 617,786 shares available for issuance under the Abbott Canada Stock Retirement Plan, and

(iv) 469,810 shares available for issuance under the Abbott Laboratories Equity-Based Award/Recognition Plan.

For additional information concerning the Abbott Laboratories 1996 Incentive Stock Program, see the discussion in Note 10 entitled "Incentive Stock Program," of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership.* Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" in the 2006 Proxy Statement. The 2006 Proxy Statement will be filed on or about March 21, 2006.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The material to be included in the 2006 Proxy Statement under the heading "Related Transactions" is incorporated herein by reference. The 2006 Proxy Statement will be filed on or about March 21, 2006.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference is the material under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" in the 2006 Proxy Statement. The 2006 Proxy Statement will be filed on or about March 21, 2006.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Form 10-K.

Financial Statements: See Item 8, "Financial Statements and Supplementary Data," on page 45 hereof, for a list of financial statements.

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

Exhibits Required by Item 601 of Regulation S-K: The information called for by this paragraph is incorporated herein by reference to the Exhibit Index on pages 100 through 105 of this Form 10-K.

Exhibits filed (see Exhibit Index on pages 100 through 105).

Financial Statement Schedules filed (pages 96 and 98).

SIGNATURES

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

ABBOTT LABORATORIES

By /s/ MILES D. WHITE

Miles D. White
Chairman of the Board and
Chief Executive Officer
Date: February 21, 2006

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 21, 2006 in the capacities indicated below.

/s/ MILES D. WHITE

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

/s/ ROXANNE S. AUSTIN

Roxanne S. Austin
Director of Abbott Laboratories

/s/ RICHARD A. GONZALEZ

Richard A. Gonzalez
President and Chief Operating Officer,
Medical Products Group and
Director of Abbott Laboratories

/s/ WILLIAM M. DALEY

William M. Daley
Director of Abbott Laboratories

/s/ JEFFREY M. LEIDEN

Jeffrey M. Leiden
President and Chief Operating Officer,
Pharmaceutical Products Group and
Director of Abbott Laboratories

/s/ W. JAMES FARRELL

W. James Farrell
Director of Abbott Laboratories

/s/ THOMAS C. FREYMAN

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

/s/ H. LAURANCE FULLER

H. Laurance Fuller
Director of Abbott Laboratories

/s/ GREG W. LINDER

Greg W. Linder
Vice President and Controller
(principal accounting officer)

/s/ JACK M. GREENBERG

Jack M. Greenberg
Director of Abbott Laboratories

/s/ DAVID A. L. OWEN

David A. L. Owen
Director of Abbott Laboratories

/s/ BOONE POWELL JR.

Boone Powell Jr.
Director of Abbott Laboratories

/s/ W. ANN REYNOLDS

W. Ann Reynolds
Director of Abbott Laboratories

/s/ ROY S. ROBERTS

Roy S. Roberts
Director of Abbott Laboratories

/s/ WILLIAM D. SMITHBURG

William D. Smithburg
Director of Abbott Laboratories

/s/ JOHN R. WALTER

John R. Walter
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

(in thousands of dollars)

Allowances for Doubtful Accounts and Sales Deductions	Balance at Beginning of Year	Provisions/ Charges to Income(a)	Amounts Charged Off Net of Recoveries	Balance at End of Year
2005	$ 231,704	$ 59,498	$ (87,519)	$ 203,683
2004	259,514	66,619	(94,429)(b)	231,704
2003	198,116	132,622	(71,224)	259,514

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON SUPPLEMENTAL SCHEDULE

To the Board of Directors and Shareholders of
Abbott Laboratories:

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2005, 2004 and 2003, and for the years then ended, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, and have issued our reports thereon dated February 17, 2006; such consolidated financial statements and reports are included in your 2005 Annual Report to Shareholders and included elsewhere in this Annual Report on Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 17, 2006

TAP PHARMACEUTICAL PRODUCTS INC. AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

(in thousands of dollars)

Allowances for Doubtful Accounts and Sales Deductions	Balance at Beginning of Year	Provisions/ Charges to Income(a)	Amounts Charged Off Net of Recoveries	Balance at End of Year
2005	$ 44,853	$ 145,684	$ (133,090)	$ 57,447
2004	37,824	130,497	(123,468)	44,853
2003	27,764	150,726	(140,666)	37,824

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

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM ON SUPPLEMENTAL SCHEDULE

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

We have audited the consolidated financial statements of TAP Pharmaceutical Products, Inc. and subsidiaries (TAP) as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, and have issued our report thereon dated February 3, 2006; such consolidated financial statements and report are included in this Annual Report on Form 10-K. Our audits also included the consolidated financial statement schedule of TAP, listed in Item 15. This consolidated financial statement schedule is the responsibility of TAP's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 3, 2006

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
2005

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

10-K Exhibit Table Item No.	
3.1	*Articles of Incorporation, Abbott Laboratories filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 1998 on Form 10-Q. (see also Exhibit 4.33, below.)
3.2	*Corporate By-Laws, Abbott Laboratories filed as Exhibit 3.1 to the Abbott Laboratories Current Report dated April 22, 2005 on Form 8-K.
4.1	*Abbott Laboratories Deferred Compensation Plan filed as Exhibit 4 to Registration Statement 333-102179.
4.2	*Indenture dated as of October 1, 1993, between Abbott Laboratories and Harris Trust and Savings Bank filed as Exhibit 4.1 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.3	*Form of Medium-Term Note, Series A (Fixed Rate) to be issued pursuant to the Indenture filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.4	*Form of Medium-Term Note, Series A (Floating Rate) to be issued pursuant to the Indenture filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.5	*Resolution of Abbott's Board of Directors filed as Exhibit 4.5 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.6	*Actions of the Authorized Officers with respect to Abbott's Medium-Term Notes, Series A filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.7	*Form of 6.8% Note issued pursuant to Indenture filed as Exhibit 4.9 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.8	*Actions of Authorized Officers with respect to Abbott's $150,000,000 6.8% Notes filed as Exhibit 4.10 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.9	*Officers' Certificate and Company Order with respect to Abbott's $150,000,000 6.8% Notes filed as Exhibit 4.11 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.10	*Resolution of Abbott's Board of Directors relating to the 6.4% Notes filed as Exhibit 4.12 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.11	*Form of $50,000,000 6.4% Note issued pursuant to Indenture filed as Exhibit 4.13 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.12	*Form of $200,000,000 6.4% Note issued pursuant to Indenture filed as Exhibit 4.14 to the 1996 Abbott Laboratories Annual Report on Form 10-K.

4.13 *Actions of Authorized Officers with respect to Abbott's 6.4% Notes filed as Exhibit 4.15 to the 1996 Abbott Laboratories Annual Report on Form 10-K.

4.14 *Officers' Certificate and Company Order with respect to Abbott's 6.4% Notes filed as Exhibit 4.16 to the 1996 Abbott Laboratories Annual Report on Form 10-K.

4.15 *Form of $200,000,000 6.0% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.

4.16 *Actions of Authorized Officers with respect to Abbott's 6.0% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.

4.17 *Officers' Certificate and Company Order with respect to Abbott's 6.0% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.

4.18 *Form of $200,000,000 5.40% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.

4.19 *Actions of Authorized Officers with respect to Abbott's 5.40% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.

4.20 *Officers' Certificate and Company Order with respect to Abbott's 5.40% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.

4.21 *Indenture dated as of February 9, 2001, between Abbott Laboratories and Bank One Trust Company, N.A. filed as Exhibit 4.1 to Registration Statement 333-55446.

4.22 *Form of 5.625% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.

4.23 *Actions of Authorized Officers with Respect to Abbott's 5.625% Notes filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.

4.24 *Officers' Certificate and Company Order with respect to Abbott's 5.125% Notes and its 5.625% Notes filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.

4.25 *Form of 3.5% Note issued pursuant to the Indenture filed as Exhibit 4.29 to the 2003 Abbott Laboratories Annual Report on Form 10-K.

4.26 *Actions of Authorized Officers with Respect to Abbott's 3.5% Notes filed as Exhibit 4.30 to the 2003 Abbott Laboratories Annual Report on Form 10-K.

4.27 *Officers' Certificate and Company Order with respect to Abbott's 3.5% Notes filed as Exhibit 4.31 to the 2003 Abbott Laboratories Annual Report on Form 10-K.

4.28 *Form of 3.75% Note issued pursuant to the Indenture. Notes filed as Exhibit 4.28 to the 2004 Abbott Laboratories Annual Report on Form 10-K.

4.29 *Form of 4.35% Note issued pursuant to the Indenture. Notes filed as Exhibit 4.29 to the 2004 Abbott Laboratories Annual Report on Form 10-K.

4.30 *Actions of Authorized Officers with respect to Abbott's 3.75% Notes and 4.35% Notes. Notes filed as Exhibit 4.30 to the 2004 Abbott Laboratories Annual Report on Form 10-K.

4.31 *Officers' Certificate and Company Order with respect to Abbott's 3.75% Notes and 4.35% Notes. Notes filed as Exhibit 4.31 to the 2004 Abbott Laboratories Annual Report on Form 10-K.

4.32 *Certificate of Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K filed on November 15, 1999.

4.33 *Rights Agreement, dated as of November 11, 1999, between Abbott Laboratories and BankBoston, N.A., as Rights Agent filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on November 15, 1999.

4.34 *Amendment No. 1 to Rights Agreement, dated as of December 7, 1999, between Abbott Laboratories and BankBoston, N.A., as Rights Agent filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on December 20, 1999.

4.35 *Amendment No. 2 to Rights Agreement dated as of May 19, 2000 filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on May 19, 2000.

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 1991 Incentive Stock Program, as amended, filed as Exhibit 10.2 to the 2003 Abbott Laboratories Annual Report on Form 10-K.**

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

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

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

10.6 *Abbott Laboratories Non-Employee Directors' Fee Plan, as amended, filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated February 21, 2006.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.26 *Form of Agreement Between Abbott Laboratories and each of the named executive officers, regarding Change in Control filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2003 on Form 10-Q.**

10.27 Base Salary of Named Executive Officers.**

10.28 Transaction Agreement between Boston Scientific Corporation and Abbott Laboratories, dated as of January 8, 2006.

10.29 Amendment No. 1 to Transaction Agreement dated as of January 16, 2006, between Boston Scientific Corporation and Abbott Laboratories.

10.30 Amendment No. 2 to Transaction Agreement dated as of January 16, 2006, between Boston Scientific Corporation and Abbott Laboratories.

10.31 Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, J.M. Leiden, R.A. Gonzalez, and T.C. Freyman. **

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

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

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

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

10.36 *Form of Restricted Stock Unit Agreement for an award of restricted stock units under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2006.**

12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Abbott Laboratories.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Cautionary Statement Regarding Forward-Looking Statements.

The 2006 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 21, 2006.

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

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

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

QuickLinks

Exhibit 10.27

Abbott Laboratories

Description of Base Salary of Named Executive Officers

Set forth below are the base salaries, effective March 1, 2005 and March 1, 2006, of the chief executive officer and each of the four other most highly compensated executive officers in 2005.

Miles D. White
Chairman of the Board and Chief Executive Officer

	Base Salary
2005	$ 1,614,600
2006	$ 1,671,000

Richard A. Gonzalez
President and Chief Operating Officer,
Medical Products Group

	Base Salary
2005	$ 910,800
2006	$ 942,700

Jeffrey M. Leiden
President and Chief Operating Officer,
Pharmaceutical Products Group

	Base Salary
2005	$ 910,800
2006	$ 942,700

Thomas C. Freyman
Executive Vice President, Finance and
Chief Financial Officer

	Base Salary
2005	$ 750,000
2006	$ 825,000

William G. Dempsey
Senior Vice President,
Pharmaceutical Operations

	Base Salary
2005	$ 595,100
2006	$ 615,900

Exhibit 10.28

EXECUTION COPY

TRANSACTION AGREEMENT

Between

BOSTON SCIENTIFIC CORPORATION

and

ABBOTT LABORATORIES

Dated as of January 8, 2006

TABLE OF CONTENTS

TRANSACTION AGREEMENT, dated as of January 8, 2006 (this "Agreement"), between BOSTON SCIENTIFIC CORPORATION, a Delaware corporation ("Boston Scientific"), and ABBOTT LABORATORIES, an Illinois corporation ("Abbott").

WHEREAS, Boston Scientific intends to make an offer to acquire all of Guidant Corporation, an Indiana corporation ("Guidant"), on the terms and conditions set forth in a proposed Agreement and Plan of Merger (the "Merger Agreement") among Boston Scientific, Galaxy Merger Sub, Inc., an Indiana corporation and a wholly owned subsidiary of Boston Scientific ("Sub"), and Guidant;

WHEREAS, Guidant, directly and through its Affiliates, is engaged in, among other things, the vascular intervention and endovascular solutions businesses (such businesses of Guidant and its Affiliates, collectively, the "Business") at various locations around the world;

WHEREAS, subject to Boston Scientific's and Guidant's entry into the Merger Agreement and either the satisfaction or (to the extent permitted by law) waiver of the conditions to the parties' obligations to close the transactions contemplated by the Merger Agreement or the acquisition by Boston Scientific of Guidant pursuant to the Merger Agreement, Boston Scientific wishes to sell, or cause to be sold, to Abbott and/or one or more of its Affiliates (collectively, the "Purchaser"), and Purchaser wishes to purchase from Boston Scientific or Guidant, all right, title and interest in and to all assets of the Business, and in connection therewith Purchaser is willing to assume certain liabilities relating thereto, all upon the terms and subject to the conditions set forth herein and in the other definitive agreements to be negotiated by the parties; and

WHEREAS, in connection with the purchase and sale of the Business contemplated by this Agreement, Boston Scientific and Abbott will enter into a Purchase Agreement (the "Purchase Agreement") and the other Definitive Agreements (as defined herein) containing terms and conditions consistent with this Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants hereinafter set forth, and intending to be legally bound, Boston Scientific and Abbott hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. For purposes of this Agreement:

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or arbitral or similar forum.

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person; provided, however that TAP Pharmaceutical Products, Inc. ("TAP")and its subsidiaries shall be deemed not to be Affiliates of Abbott, but

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only for so long as Abbott (either directly or indirectly) owns fifty percent or less of the voting stock of TAP (or its subsidiaries) or does not otherwise have control of TAP (or its subsidiaries). For purposes of this Agreement, with respect to all periods following consummation of the Merger or the transactions contemplated by this Agreement, as applicable, "Affiliate" shall include, (i) with respect to Boston Scientific, Guidant and its Affiliates following the Merger, (ii) with respect to Abbott, any Person to be acquired pursuant to this Agreement, and (iii) with respect to each party hereto, any Person resulting from any internal reorganization, provided such resulting Person is an Affiliate.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

"Carotid Stent Assets" means the Assets related to the research, development, manufacture, distribution, marketing and sale of carotid stent systems, including embolic protection devices.

"Code" means the Internal Revenue Code of 1986, as amended through the date hereof.

"control" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by contract, credit arrangement or otherwise.

"Definitive Agreements" means the Purchase Agreement, the Supply Agreements, the License and Technology Transfer Agreement, the Transition Services Agreement, the Note, the release and/or settlement agreement in respect of Actions between Boston Scientific and/or its Affiliates and Guidant and/or its Affiliates relating to the Business to the extent contemplated herein and such other agreements as may be mutually agreed between the parties.

"DES Intellectual Property" means all Intellectual Property included in the Assets, including Intellectual Property available to Guidant pursuant to agreements with third parties and subject to the terms of those agreements, that is used in Guidant's drug eluting stent system program having a priority date prior to, or otherwise existing as of, the date of the Closing, including Intellectual Property relating to the bare metal and bioabsorbable stents, drugs, polymers and delivery systems used with respect to such drug eluting stent systems.

"DES Stents" means the everolimus eluting stent system in development by Guidant or its Affiliates at the time of the Closing, as approved by applicable Governmental Authorities, including the FDA, and any improvements or iterations thereof approved for sale during the term of the applicable supply arrangements and of the type that could be approved by a supplement to an approved PMA rather than requiring a new PMA if such DES Stent were to be sold in the United States.

"Existing DES Stents" means the drug eluting stent system in development by Guidant or its Affiliates between the date of Closing and the later of the date on which a DES

Stent is approved for sale in Europe and the date on which a DES Stent is approved for sale in the United States.

"FDA" means the United States Food and Drug Administration.

"Governmental Authority" means any United States federal, state or local or any non-United States government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Intellectual Property" means all intellectual property rights of any kind, including rights in, to and concerning (a) patents, patent applications and statutory invention registrations, including divisionals, continuations, continuations-in-part, re-issues and re-examinations thereof, (b) trademarks, service marks, trade dress, logos, trade names, corporate names and other source identifiers, registrations and applications for registration thereof, including all extensions, modifications and renewals of same, (c) published and unpublished works of authorship and copyrights therein, and copyright registrations and applications for registration thereof and all renewals, extensions, restorations and reversions thereof, (d) software, data, databases and compilations of information, and (e) confidential and proprietary information, inventions, formulas, processes, developments, technology, research, trade secrets and know-how.

"IRS" means the Internal Revenue Service of the United States.

"J&J Merger Agreement" means the Amended and Restated Agreement and Plan of Merger, dated as of November 14, 2005, among Johnson & Johnson, Shelby Merger Sub, Inc. and Guidant or any amended or successor agreement thereof.

"Knowledge" means, when used in connection with a Person with respect to any matter in question, the actual knowledge of the Person's executive officers after making due inquiry of the current employees having primary responsibility for such matter.

"Law" means any United States federal, state, local or non-United States statute, law, ordinance, regulation, rule, code, order, other requirement or rule of law.

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including those arising under any Law, Action or Governmental Order and those arising under any contract, agreement, arrangement or undertaking (but excluding any performance obligations under any such contracts, agreements, arrangements or undertakings).

"Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development which individually or in the aggregate would reasonably be expected to

result in any change or effect, that is materially adverse to the business, financial condition or results of operations of the Business, taken as a whole; provided, however, that none of the following shall be deemed, either alone or in combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (A) any change, effect, event, occurrence, state of facts or development (1) in the financial or securities markets or the economy in general, (2) in the industries in which the Business operates in general, to the extent that such change, effect, event, occurrence, state of facts or development does not disproportionately impact the Business, or (3) resulting from any divestiture that may be required to be effected pursuant to the terms of this Agreement, or (B) any failure, in and of itself, by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (it being understood that the facts or occurrences giving rise or contributing to such failure may be deemed to constitute, or be taken into account in determining whether there has been or would reasonably be expected to be, a Material Adverse Effect).

"Merger" means the merger pursuant to the Merger Agreement.

"Novartis Agreement" means the Everolimus Local Delivery License Agreement (Exclusive), dated September 17, 2002, by and between Novartis Pharma AG and Novartis AG, both Swiss corporations, and Advanced Cardiovascular Systems, Inc., a California corporation, on behalf of itself and its affiliates, as amended and/or supplemented from time to time.

"Person" means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization, joint venture or other entity.

"PMA" means an application submitted to the FDA to obtain pre-market approval with respect to the safety and effectiveness of devices, which approval is required under Section 515 of the Medical Device Amendments of 1976 to the Federal Food, Drug, and Cosmetic Act.

"Pre-Closing Tax Period" means any taxable period (or portion thereof) ending on or prior to the Closing.

"Regulations" means the Treasury Regulations (including temporary regulations) promulgated by the United States Department of Treasury with respect to the Code or other federal tax statutes.

"Restricted Persons" means the Persons listed on Schedule 1.01 attached hereto or any of their Affiliates.

"Straddle Period" means any taxable period beginning before Closing and ending after the Closing.

"Tax" or "Taxes" means any and all taxes, levies, duties, tariffs and similar charges in the nature of a tax (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority or taxing authority, including taxes

on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, share capital, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes in the

nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs' duties, and tariffs.

"Tax Returns" means any and all returns, reports and forms (including elections, declarations, amendments, schedules, information returns or attachments thereto) required to be filed with a Governmental Authority or taxing authority with respect to Taxes.

"Transferred Subsidiary" means any direct or indirect subsidiary of Guidant acquired by way of stock purchase pursuant to this Agreement.

SECTION 1.02. Definitions. The following terms have the meanings set forth in the Sections set forth below:

Definition	Location
"Abbott"	Preamble
"Agreement"	Preamble
"Allocation"	2.03(b)
"Allocation Accounting Firm"	2.03(b)
"ASP"	5.07(h)
"Assets"	2.01(a)
"Assumed Liabilities"	2.02(a)
"Business"	Recitals
"Closing"	2.05
"Confidentiality Agreement"	5.03(b)
"EU Merger Regulation"	3.03
"EVT"	2.01(b)(iii)
"Excluded Assets"	2.01(b)
"Excluded Businesses"	2.01(b)(iii)
"Excluded Liabilities"	2.02(b)
"First DES Stent"	5.08(m)
"Guidant"	Recitals
"Guidant CIC Plans"	6.03(b)
"Initial Purchase Price"	2.03(a)
"License and Technology Transfer Agreement"	5.08(a)
"Loss"	10.02
"Merger Agreement"	Recitals
"Milestone Payment"	2.04
"Mixed Account"	5.09(d)
"Mixed Contract"	5.09(c)
"Non-U.S. Business Employee"	6.01(b)
"Non-U.S. Transferred Employee"	6.01(b)
"Note"	5.10(a)
"Purchaser"	Preamble
"Purchase Price"	2.03(a)
"Settlement Agreement"	5.08(1)

Definition	Location
"Shared Asset"	2.01(b)(ii)
"Shares"	2.01(a)
"Supply Agreements"	5.07(a)
"Territory"	5.07(a)
"Third Party Claim"	10.05(b)
"Transferred Employees"	6.01(b)
"Transition Services Agreement"	5.09(a)
"U.S. Business Employee"	6.01(a)
"U.S. Transferred Employee"	6.01(a)

ARTICLE II

PURCHASE AND SALE

SECTION 2.01. Purchase and Sale of the Business. (a) Upon the terms and subject to the conditions of this Agreement, at the Closing, Boston Scientific shall sell, convey, assign and transfer, or cause Guidant and/or its Affiliates to sell, convey, assign and transfer, to Purchaser all the assets (including, where applicable, stock or other equity interests of subsidiaries of Guidant ("Shares")), rights, properties and business of every kind and description and wherever located, whether tangible or intangible, real, personal or mixed, that are used primarily in, or related primarily to (with "primarily" being determined by taking into account revenues, assets, personnel, registrations and other relevant factors), the Business (together with, to the extent

available, the right to bring an Action for the infringement or other violation thereof prior to the Closing and the right to recover and retain all damages or proceeds therefrom) (the "Assets"), and Purchaser shall purchase the Assets; provided, however, that, subject to Section 5.11, at Abbott's election (which shall be exercised as promptly as practicable after the date hereof), the Assets of any subsidiaries of Guidant, the assets of which are used primarily in, or related primarily to, the Business, may be purchased by Purchaser by purchasing Shares rather than the applicable Assets, in which case the parties shall cooperate with respect to the transfer from such subsidiaries of any assets that are not Assets, any Liabilities that are not Assumed Liabilities and any employees who are not Transferred Employees. For the purposes of this Agreement, references to the Business shall be deemed to include the Assets and the Shares if the context so requires.

(b) Notwithstanding anything in Section 2.01(a) to the contrary, Purchaser shall not purchase, and the Assets shall not include, any right, title and interest in or to any of the following assets (the "Excluded Assets"):

(i) all cash and cash equivalents, securities (other than the Shares, if any) and negotiable instruments on hand, in lock boxes, in financial institutions or elsewhere, including any cash residing in any collateral cash account securing any obligation or contingent obligation;

(ii) subject to Sections 5.08(h) and 5.09, any right, property or asset used both in the Business and in any other business of Guidant (a "Shared Asset") that is both (1) not used primarily in, or related primarily to, the Business, and (2) that is not reasonably capable of being transferred with the Assets;

(iii) all businesses of Guidant and its subsidiaries not included in the Business, including the cardiac rhythm management, endovascular repair and cardiac surgery businesses, the capital stock and equity interests of Endovascular Technologies, Inc., a Delaware corporation ("EVT"), or any subsidiary thereof or any assets of EVT or any subsidiary thereof, and including all rights of Guidant, EVT and any other Guidant subsidiary with respect to the ANCURE ENDOGRAFT System (collectively, the "Excluded Businesses"); and

(iv) all assets of any employee or independent contractor compensation or benefit plan, program or arrangement that is maintained or contributed to by Guidant, Boston Scientific or any of their respective Affiliates (other than a stand-alone plan, program or arrangement that is sponsored by a Transferred Subsidiary and covers primarily employees of the Business) and that is not transferred to Purchaser or its Affiliate pursuant to Article VI.

(c) Boston Scientific and Abbott will share all rights, benefits and obligations associated with investments by Guidant or any of its Affiliates in other Persons (other than Affiliates of Guidant) engaged in the vascular interventional or endovascular solutions businesses, and, prior to the Closing, each of Boston Scientific and Abbott will use its reasonable best efforts to identify such investments and to agree on a mechanism for sharing such rights, benefits and obligations.

SECTION 2.02. Assumption and Exclusion of Liabilities. (a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser shall assume, and agree to pay, perform and discharge when due, any and all of the Liabilities to the extent relating to the Business or the Assets, other than the Excluded Liabilities set forth in Section 2.02(b) below (the "Assumed Liabilities").

(b) After the Closing, Boston Scientific and/or its Affiliates shall retain (or, if necessary, expressly assume), and shall be responsible for paying, performing and discharging when due, and Purchaser shall not assume (by succession, transfer or assignment or otherwise) or have any responsibility for, any of the following Liabilities (the "Excluded Liabilities"):

(i) all Liabilities to the extent relating to or arising out of the Excluded Assets;

(ii) all Liabilities to the extent relating to or arising out of assets or businesses of Boston Scientific, Guidant or any of their Affiliates that are not included in the Assets or related to the Business;

(iii) all Liabilities (1) (A) arising from death or personal injury relating to, resulting from, caused by or arising out of, directly or indirectly, the ANCURE ENDOGRAFT System used in the treatment of abdominal aortic aneurysms, including

any such Liabilities for negligence, strict liability, design or manufacturing defect, conspiracy, failure to warn, or breach of express or implied warranties of merchantability or fitness for any purpose or use, or (B) otherwise relating to such System, (2) arising from defibrillator product recalls and any related litigation, or (3) arising from any Guidant shareholder litigation with respect to or arising out of the transactions pursuant hereto or the J&J Merger Agreement;

(iv) except as provided in Section 6.02(f), all Liabilities (including all claims arising out of any death, accident, disease or injury occurring on or before the Closing, whether asserted before or after the Closing) relating to or arising from any employee or independent contractor compensation or benefit plan, program or arrangement that is maintained or contributed to by Guidant, Boston Scientific or any of its or their respective Affiliates (other than a stand-alone plan, program or arrangement that is sponsored by a Transferred Subsidiary and covers primarily employees of the Business) and that is not transferred to Purchaser or its Affiliate pursuant to Article VI; and

(v) all indebtedness for borrowed money.

SECTION 2.03. Purchase Price; Allocation of Purchase Price. (a) Abbott shall pay, or cause the applicable Purchaser to pay, an aggregate purchase price for the Assets equal to the sum of (i) an amount in cash equal to $3,800,000,000 (the "Initial Purchase Price"), (ii) the Milestone Payments, and (iii) the Assumed Liabilities (collectively, the "Purchase Price"). The Initial Purchase Price shall be paid at the Closing by wire transfer in immediately available funds to a bank account designated by Boston Scientific not fewer than three Business Days prior to the date of the Closing.

(b) Within 20 days of the execution by Boston Scientific of the Merger Agreement, Abbott shall provide Boston Scientific with a proposed allocation of the Purchase Price among the Asset categories (the "Allocation") for Boston Scientific's review and comment. For purposes of the Allocation, Asset categories shall consist of the following two classes: (i) Assets located or owned in the United States, and (ii) Assets located or owned outside of the United States. If Boston Scientific does not provide any comments to Abbott in writing within 20 days following delivery by Abbott of the proposed Allocation, then the Allocation proposed by Abbott shall be deemed to be final and binding, absent manifest error. If, however, Boston Scientific submits comments to Abbott within such 20-day period, Abbott and Boston Scientific shall negotiate in good faith to resolve any differences within 20 days of such submission. If Boston Scientific and Abbott are unable to reach a resolution within such 20 day period, then all remaining disputed items shall be submitted for resolution by an internationally-recognized, independent accounting firm mutually selected by Abbott and Boston Scientific (the "Allocation Accounting Firm"), which shall make a final determination as to the disputed items within 20 days after such submission, but in no event later than 20 days following the closing of the Merger, and such determination shall be final and binding on Boston Scientific and Abbott. The fees and disbursements of the Allocation Accounting Firm shall be shared equally between Boston Scientific and Abbott. Any subsequent adjustments to the Purchase Price shall be reflected in the Allocation in a manner consistent with Section 1060 of the Code and the Regulations thereunder. For all Tax purposes, Abbott and Boston Scientific agree that the transactions contemplated by this Agreement shall be reported in a manner consistent with the

terms of this Agreement, including the Allocation, and that neither of them will take any position inconsistent therewith in any Tax Return, in any refund claim, in any litigation, or otherwise.

SECTION 2.04. Milestone Payments. In addition to the Initial Purchase Price, within three Business Days following the first date of the achievement of the following events, Abbott shall pay to Boston Scientific the following payments (each, a "Milestone Payment") by wire transfer in immediately available funds to a bank account designated by Boston Scientific (or, if notice of such designation is received by Abbott later than three Business Days following such first date, the applicable payment shall be made within three Business Days following receipt of such designation): (a) a single, one-time payment in cash equal to $250,000,000, upon and subject to the condition that Abbott or any of its Affiliates or designees has received approval from the FDA to market and sell an everolimus eluting stent in the United States on or before the tenth anniversary of the Closing, and (b) a single, one-time payment in cash equal to $250,000,000, upon and subject to the condition that Abbott or any of its Affiliates or designees has received approval from the Ministry of Health, Labour and Welfare of Japan to market and sell an everolimus eluting stent in Japan on or before the tenth anniversary of the Closing. Total Milestone Payments shall not exceed $500,000,000.

SECTION 2.05. Closing. Subject to the terms and conditions of this Agreement and the Purchase Agreement, the sale and purchase of the Business and the assumption of the Assumed Liabilities contemplated by this Agreement and the Purchase Agreement shall take place at a closing (the "Closing") to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York at 10:00 a.m., New York time, on the second Business Day following the satisfaction or waiver of the conditions to the obligations of the parties hereto set forth in Article VIII, or at such other place or at such other time or on such other date as Boston Scientific and Abbott may mutually agree upon in writing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF BOSTON SCIENTIFIC

Boston Scientific hereby represents and warrants to Purchaser as follows:

SECTION 3.01. Organization, Authority and Qualification. Boston Scientific is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all necessary corporate power and authority to enter into, execute and deliver this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Boston Scientific, the performance by Boston Scientific of its obligations hereunder and the consummation by Boston Scientific of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Boston Scientific. This Agreement has been duly executed and delivered by Boston Scientific, and, assuming due authorization, execution and delivery by Abbott, this Agreement is a legal, valid and binding obligation of Boston Scientific, enforceable against it in accordance with its terms.

SECTION 3.02. No Conflict. Assuming that all consents, approvals, authorizations and other actions described in Section 3.03 have been obtained and any applicable waiting period has expired or been terminated, and except as may result from any facts or circumstances relating solely to Purchaser, the execution, delivery and performance of this Agreement by Boston Scientific do not and will not (a) violate, conflict with or result in the breach of the certificate of incorporation or by laws (or similar organizational documents) of Boston Scientific, (b) conflict with or violate any Law or Governmental Order applicable to Boston Scientific, or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Boston Scientific is a party, except, in the case of clauses (b) and (c), as would not materially and adversely affect the ability of Boston Scientific to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement.

SECTION 3.03. Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by Boston Scientific do not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority, except (a) the requirements of the applicable Council Regulation of the European Union, as amended (the "EU Merger Regulation"), and, to the extent applicable, the requirements of the HSR Act and the antitrust Laws of any other relevant jurisdiction, or (c) as may be necessary as a result of any facts or circumstances relating solely to Purchaser or any of its Affiliates.

SECTION 3.04. Litigation. As of the date hereof, no Action by or against Boston Scientific is pending or, to the Knowledge of Boston Scientific, threatened, that could affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby.

SECTION 3.05. Certain Regulatory Matters. Except for the Subpoena Regarding the Matter of Investigation of Guidant Corporation from the State of California Department of Justice, Office of the Attorney General, to the actual knowledge of the individuals listed on Schedule 3.05 attached hereto, as of the date of this Agreement, there is no pending or threatened demand letter or Governmental Order outstanding or any investigation by any Governmental Authority involving the Business or Guidant or its subsidiaries that, individually or in the aggregate, has had or would reasonably be expected to have, a Material Adverse Effect.

SECTION 3.06. Brokers. Boston Scientific will be solely responsible for the fees and expenses of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Boston Scientific.

SECTION 3.07. Disclaimer. EXCEPT AS SET FORTH IN THIS ARTICLE III OR AS MAY BE SET FORTH IN ANY DEFINITIVE AGREEMENT, NONE OF BOSTON SCIENTIFIC, ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES MAKE OR HAVE MADE ANY

OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF GUIDANT, ITS AFFILIATES OR THE BUSINESS. ANY SUCH OTHER REPRESENTATION OR WARRANTY IS HEREBY EXPRESSLY DISCLAIMED.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ABBOTT

Abbott hereby represents and warrants to Boston Scientific as follows:

SECTION 4.01. Organization and Authority of Abbott. Abbott is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Illinois and has all necessary corporate power and authority to enter into, execute and deliver this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Abbott, the performance by Abbott of its obligations hereunder and the consummation by Abbott of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Abbott. This Agreement has been duly executed and delivered by Abbott, and, assuming due authorization, execution and delivery by Boston Scientific, this Agreement is a legal, valid and binding obligation of Abbott enforceable against it in accordance with its terms.

SECTION 4.02. No Conflict. Assuming compliance with the HSR Act, the pre-merger notification and waiting period requirements of the EU Merger Regulation and the making and obtaining of all filings, notifications, consents, approvals, authorizations and other actions referred to in Section 4.03, the execution, delivery and performance by Abbott of this Agreement do not and will not (a) violate, conflict with or result in the breach of any provision of the certificate of incorporation or bylaws (or similar organizational documents) of Abbott, (b) conflict with or violate any Law or Governmental Order applicable to Abbott or its respective assets, properties or businesses or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Abbott is a party, except, in the case of clauses (b) and (c), as would not materially and adversely affect the ability of Abbott to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement.

SECTION 4.03. Governmental Consents and Approvals. The execution, delivery and performance by Abbott of this Agreement do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Authority, except (a) the requirements of the EU Merger Regulation and, to the extent applicable, the requirements of the HSR Act and the antitrust Laws of any other relevant jurisdiction, or (b) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent or materially delay the consummation by Purchaser of the transactions contemplated by this Agreement.

SECTION 4.04. Litigation. As of the date hereof, no Action by or against Abbott is pending or, to the Knowledge of Abbott, threatened, that could affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby.

SECTION 4.05. Brokers. Abbott will be solely responsible for the fees and expenses of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

SECTION 4.06. Disclaimer. EXCEPT AS SET FORTH IN THIS ARTICLE IV OR AS MAY BE SET FORTH IN ANY DEFINITIVE AGREEMENT, NONE OF ABBOTT, ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES MAKE OR HAVE MADE ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF ABBOTT OR ITS AFFILIATES. ANY SUCH OTHER REPRESENTATION OR WARRANTY IS HEREBY EXPRESSLY DISCLAIMED.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.01. Conduct of Business; Merger Agreement. (a) Except as may otherwise be agreed between Boston Scientific and Abbott, from the date of execution of the Merger Agreement until the earlier of the termination of the Merger Agreement or the closing date under the Merger Agreement, Boston Scientific will enforce its rights under the Merger Agreement with respect to, and will not waive, amend or agree to amend, any provisions of the Merger Agreement relating to, the Business.

(b) Boston Scientific has given Abbott an opportunity to review a draft of the Merger Agreement. The Merger Agreement, if any, entered into by Boston Scientific and Guidant, insofar as it relates to the Business, shall be the same in all material respects, as such draft.

SECTION 5.02. Representations and Warranties in Purchase Agreement. The Purchase Agreement shall include representations and warranties (i) by Boston Scientific and Abbott, on behalf of themselves and each of their respective subsidiaries or Affiliates (to the extent party to a Definitive Agreement) substantially similar to those set forth in Articles III and IV hereto relating to the Definitive Agreements to which such Person is a party and the transactions contemplated thereby, and (ii) by Boston Scientific regarding the Business that are substantially similar in scope and substance to the representations and warranties of Guidant contained in the Merger Agreement, except that with respect thereto, any qualifications or exceptions as to materiality, material adverse effect or similar qualifiers or exceptions shall refer to materiality with respect to or effects on the Business as opposed to effects on Guidant and its subsidiaries, taken as a whole.

SECTION 5.03. Access to Information; Confidentiality. (a) From the date hereof until the Closing, upon reasonable notice, Boston Scientific shall use its reasonable best

efforts to cause Guidant to: (a) afford Purchaser and its authorized representatives reasonable access to the offices, properties and books and records of the Business, and (b) furnish to the officers, employees, and authorized agents and representatives of Purchaser such additional financial and operating data and other information regarding the Business (or copies thereof) as Purchaser may from time to time reasonably request; provided, however, that any such access or furnishing of information shall be conducted at Purchaser's expense, during normal business hours, under the supervision of Boston Scientific's or its Affiliates' personnel and in such a manner as not to interfere with the normal operations of the Business. Notwithstanding anything to the contrary in this Agreement, Boston Scientific shall not be required to request that Guidant disclose any information to Purchaser if such disclosure would be reasonably likely to (x) cause significant competitive harm to the Business if the transactions contemplated hereby are not consummated, (y) jeopardize any attorney-client or other legal privilege or (z) contravene any applicable Laws, fiduciary duty or binding agreement entered into prior to the date hereof.

(b) The terms of the letter agreement dated as of December 17, 2005 (the "Confidentiality Agreement") between Boston Scientific and Abbott are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement and the obligations of Abbott under this Section 5.03(b) shall terminate; provided, however, that, from and after the Closing, except as would have been permitted under the terms of the Confidentiality Agreement, (i) Abbott shall, and shall cause its officers, directors, employees, representatives and Affiliates to, treat and hold as confidential, and not disclose to any Person, information related to the discussions and negotiations between the parties regarding this Agreement and the transactions contemplated hereby and all confidential information relating to Boston Scientific and the Excluded Businesses, and (ii) Boston Scientific shall, and shall cause its officers, directors, employees, representatives and Affiliates to, treat and hold as confidential, and not disclose to any Person, information related to the discussions and negotiations between the parties regarding this Agreement and the transactions contemplated hereby and all confidential information relating to the Assets and the Business. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect.

(c) Nothing provided to Abbott pursuant to Section 5.03(a) shall in any way amend or diminish Abbott's obligations under the Confidentiality Agreement. Abbott acknowledges and agrees that any Evaluation Material provided to Abbott pursuant to Section 5.03(a) or otherwise by or on behalf of Guidant, Boston Scientific or any officer, director, employee, agent, representative, accountant or counsel thereof shall be subject to the terms and conditions of the Confidentiality Agreement.

SECTION 5.04. Regulatory and Other Authorizations; Notices and Consents. (a) Each of Boston Scientific and Abbott shall use its reasonable best efforts to obtain, and, to the extent necessary, Boston Scientific will use its reasonable best efforts to cause Guidant to obtain, promptly all authorizations, consents, orders and approvals of all Governmental Authorities that may be or become necessary for the performance of its and the other party's obligations pursuant to, and the consummation of the transactions contemplated by, this Agreement. Boston Scientific and Abbott will cooperate with one another in promptly seeking to obtain all such authorizations, consents, orders and approvals; provided, however, that neither Boston Scientific nor Guidant shall be required to pay any fees or other payments to any such

Governmental Authorities in order to obtain any such authorization, consent, order or approval (other than normal filing fees that are imposed by Law on Boston Scientific or Guidant). Neither Boston Scientific nor Abbott shall knowingly take any action that would have the effect of materially delaying, impairing or impeding the receipt of any authorizations, consents, orders and approvals of any Governmental Authority; provided, however, that in no way shall reasonable and timely negotiations in good faith by Abbott with any applicable Governmental Authority relating to the sale, license or other disposition or holding separate (through the establishment of a trust or otherwise) of Assets or assets or property of Abbott requested or required by such Governmental Authority in order to obtain such authorization, consent, order or approval be deemed to constitute an act materially delaying, impairing, or impeding the receipt of authorizations, consents, orders and approvals of such Governmental Authority. Boston Scientific and Abbott each agree to make, or to cause to be made, (i) if required, an appropriate filing of a notification and report form pursuant to the HSR Act and the EU Merger Regulation and (ii) any other filing or notification required by any other applicable Law, in each case, with respect to the transactions contemplated by this Agreement as promptly as practicable after the date of this Agreement in the case of the HSR Act and the EU Merger Regulation, and as promptly as reasonably practicable in the case of any other filing or notification, and to supply promptly any additional information and documentary material that may be requested pursuant to the HSR Act and the EU Merger Regulation or any other applicable Law.

(b) Without limiting the generality of Abbott's undertaking pursuant to Section 5.04(a), Abbott shall, on a reasonable and timely basis consistent with Section 5.04(a): (i) propose, negotiate, commit to and effect, by consent decree, hold separate orders or otherwise, the sale, divestiture or disposition of the Carotid Stent Assets, Abbott's carotid stent assets or any other assets not material to the Business or the Assets, or (ii) if a Governmental Authority does not allow Abbott to acquire the Carotid Stent Assets (for purposes of divestiture or otherwise), agree to exclude the Carotid Stent Assets from the Assets. If the Carotid Stent Assets are excluded from the Assets, then (x) Boston Scientific shall engage an investment banking firm selected by, or satisfactory to, Abbott and on terms reasonably satisfactory to Abbott to sell the Carotid Stent Assets within a reasonable period of time following the Closing or as otherwise directed by the applicable Governmental Authorities, (y) Boston Scientific shall remit all of the proceeds of such sale (net of Taxes and the costs and expenses paid by Boston Scientific and any of its Affiliates in connection with such sale) to Abbott, and (z) Abbott shall use its reasonable best

efforts to effect the separation of the Carotid Stent Assets from the Assets, including entering into appropriate transition services or similar agreements with Boston Scientific or any other Person to which the Carotid Stent Assets are divested. For all Tax purposes, the parties agree to treat all remittances of proceeds pursuant to this Section 5.04(b)(y) as adjustments to the Purchase Price.

(c) Each party to this Agreement shall promptly notify the other party of any communication it or any of its Affiliates receives from any Governmental Authority relating to the matters that are the subject of this Agreement and permit the other party to review in advance any proposed communication by such party to any Governmental Authority. Neither party to this Agreement shall agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry related to the transactions contemplated by this Agreement unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate at

such meeting. Subject to the Confidentiality Agreement, the parties to this Agreement will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods including under the HSR Act and the EU Merger Regulation. Subject to the Confidentiality Agreement, the parties to this Agreement will provide each other with copies of all correspondence, filings or communications between them or any of their representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated by this Agreement.

SECTION 5.05. Notifications. Each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in (a) any representation or warranty made by such party to be untrue or inaccurate in any material respect at any time after the date of this Agreement and prior to the Closing, (b) any material failure on such party's part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, and (c) the failure of any condition precedent set forth in Article VIII of this Agreement; provided, however, that the delivery of any notice pursuant to this Section 5.05 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice. In addition, Boston Scientific shall promptly (i) notify Abbott in writing upon the occurrence of any event that will or is reasonably likely to result in the termination of the Merger Agreement, and (ii) to the extent permitted, forward copies of any notices received or delivered by Boston Scientific pursuant to the Merger Agreement that materially affect the Business, the Assets, Purchaser's rights with respect thereto or the likelihood of consummation of the transactions contemplated by this Agreement in accordance with the terms hereof or of the Merger pursuant to the Merger Agreement.

SECTION 5.06. Release of Indemnity Obligations. Boston Scientific and Abbott will cooperate with each other with a view to entering into arrangements effective as of the Closing whereby Purchaser would be substituted for Guidant or its Affiliates in any guarantees, letters of comfort, indemnities or similar arrangements entered into by Guidant or its Affiliates in respect of the Business (but only to the extent such guarantees, letters of comfort, indemnities or arrangements constitute Assumed Liabilities). If Purchaser cannot enter into such arrangements, Boston Scientific shall cause Guidant not to terminate such guaranty arrangements without Purchaser's consent; provided, however, that Purchaser shall enter into a separate guaranty with Guidant or one of its Affiliates to guarantee the performance of the obligations of the relevant Person pursuant to the contract underlying such guaranty arrangements.

SECTION 5.07. Supply Arrangements. (a) Following the Closing, Abbott will supply Boston Scientific, on an interim and private label basis, with DES Stents. In connection with the foregoing obligation, on or prior to the Closing, the parties will enter into four interim supply agreements, each effective as of the Closing (collectively, the "Supply Agreements"). Each of the Supply Agreements shall contain pricing and other terms as provided in this Section 5.07 and other terms and conditions customary for similar supply agreements and shall cover the supply of DES Stents in the following territories (one Supply Arrangement for each territory): United States, Japan, Europe and Rest of World (each, a "Territory").

(b) During the term of the supply arrangements, if Boston Scientific manufactures drug eluting stent systems substantially identical to DES Stents being supplied by Abbott under the supply arrangements, then Boston Scientific shall pay to Abbott an amount equal to 40% of the result obtained by subtracting from the ASP (as defined below), the sum of (A) royalties payable to third parties by Boston Scientific with respect to such drug eluting stent systems sold by it, (B) 7% of the ASP, representing Boston Scientific's variable selling costs for such drug eluting stent systems, and (C) Boston Scientific's cost of manufacturing such drug eluting stent systems, as reported by Boston Scientific to Abbott on a semiannual basis (subject to audit by a third party reasonably acceptable to the parties). If Boston Scientific wishes to substitute the delivery system of a DES Stent being supplied by Abbott under the supply arrangements, then, at its option, Boston Scientific may either (i) deliver the substitute component to Abbott for inclusion in DES Stents to be supplied by Abbott to Boston Scientific, or (ii) manufacture the DES Stents itself, in which case Boston Scientific shall, during the term of the applicable supply arrangement, pay to Abbott an amount equal to 40% of the result obtained by subtracting from the ASP (as defined below), the sum of (A) royalties payable to third parties by Boston Scientific with respect to the DES Stents sold by it, (B) 7% of the ASP, representing Boston Scientific's variable selling costs for DES Stents, and (C) Boston Scientific's cost of manufacturing DES Stents, as reported by Boston Scientific to Abbott on a semiannual basis (subject to audit by a third party reasonably acceptable to the parties). At the request of Boston Scientific, Abbott will supply to Boston Scientific at cost any components used to make DES Stents. Boston Scientific shall reimburse Abbott for any actual costs associated with changeovers from Abbott to Boston Scientific components included in the DES Stents.

(c) Abbott's obligation to supply DES Stents to Boston Scientific in the United States, Europe and Japan shall terminate on the later of (i) December 31, 2010, and (ii) the date that is one year following the last date on which Boston Scientific has received all requisite approvals from applicable Governmental Authorities to sell an everolimus eluting stent on a Boston Scientific stent platform in the applicable Territory; provided, however, that such obligation will not terminate on a date that is later than June 30, 2012. Abbott's obligation to supply DES Stents to Boston Scientific in the Rest of World shall terminate on December 31, 2010.

(d) If there is a shortage of DES Stents or Abbott's ability to supply DES Stents is otherwise constrained, then an equal number of DES Stents by volume for each product code will be allocated between Abbott and Boston Scientific.

(e) Each DES Stent supplied to Boston Scientific will have a remaining shelf life at the time of delivery at least equal to 50% of the approved shelf life of such DES Stent.

(f) Abbott will use its reasonable best efforts to develop, manufacture and obtain approvals for, and each of Abbott and Boston Scientific will use its reasonable best efforts to market and sell, Existing DES Stents during the term of the applicable supply arrangements in the applicable Territory; provided, however, that Abbott will not be required to continue to use such efforts to develop, manufacture and obtain approvals for Existing DES Stents in any Territory if in Abbott's reasonable judgment the results of clinical trials with respect to an Existing DES Stent in such Territory are such that such Existing DES Stent is unlikely to be approved for marketing and sale by the applicable Governmental Authority or, if approved, is

unlikely to be competitive with other drug eluting stent systems then being sold. Nothing contained in this Section 5.07(f) will require Abbott to continue to use such efforts if Abbott reasonably determines that such action would result in a product that infringes any Intellectual Property of any Person (other than Intellectual Property included in the Assets).

(g) DES Stents sold by Abbott and Boston Scientific will be separately branded, priced and marketed.

(h) The transfer price paid by Boston Scientific to Abbott for each DES Stent will be equal to Abbott's cost of manufacturing such DES Stent, as reported by Abbott to Boston Scientific on a semiannual basis (subject to audit by a third party reasonably acceptable to the parties), payable quarterly in arrears, plus a manufacturing margin on DES Stents sold by Boston Scientific equal to 40% of the result obtained by subtracting from the average selling price for DES Stents sold by Boston Scientific (the "ASP"), the sum of (A) royalties payable to third parties by Boston Scientific with respect to the DES Stents sold by it, (B) 7% of the ASP, representing Boston Scientific's variable selling costs for DES Stents, and (C) Abbott's cost of manufacturing DES Stents, as reported by Abbott to Boston Scientific on a semiannual basis (subject to audit by a third party reasonably acceptable to the parties); provided, however, that if, during any semiannual period during the term of the supply arrangement, the ASP of the DES Stent in any Territory is less than $400, then the transfer price for such DES Stent in such Territory during such period shall instead be equal to Abbott's cost of manufacturing such DES Stent, as reported by Abbott to Boston Scientific on a semiannual basis (subject to audit by a third party reasonably acceptable to the parties), payable quarterly in arrears, plus a manufacturing margin on DES Stents sold by Boston Scientific equal to 25% of such cost of manufacturing.

(i) Boston Scientific will be required to pay any royalty payments to third parties required pursuant to any license agreements or arrangements in respect of any sales by Boston Scientific or its Affiliates of DES Stents. Boston Scientific will also be required to reimburse Abbott for 50% of all outstanding developmental milestones payable under Section 7.1 of the Novartis Agreement. The minimum payments pursuant to Sections 8.4 and 9.4 of the Novartis Agreement shall be paid by each party in proportion to the net sales of DES Stents sold by such party during the applicable period.

(j) The ASP in a particular Territory will be based on data available from an independent market research firm acceptable to Abbott and Boston Scientific. If such independent data is unavailable, then the ASP will be established at the beginning of each calendar year based on the ASP of DES Stents sold by Boston Scientific in such Territory during the first six months of the immediately preceding calendar year (subject to audit by Abbott), with an adjustment at the end of each six-month period to reflect the actual selling price of DES Stents during the penultimate six-month period.

SECTION 5.08. License and Technology Transfer Agreement. (a) Upon the Closing, Abbott shall grant to Boston Scientific and its Affiliates, to the fullest extent permitted by Law and the agreements included in the Assets, a perpetual, exclusive (except for Abbott and its Affiliates), royalty-free license (with no right to sublicense other than "have made" rights solely on behalf of Boston Scientific) to use the DES Intellectual Property (except for trademarks

and related rights, other than as set forth in Section 5.07 or in the Supply Agreements or as otherwise agreed by the parties). In connection with the foregoing obligation, on or prior to the Closing Abbott and Boston Scientific will enter into a License and Technology Transfer Agreement (the "License and Technology Transfer Agreement"). The license granted pursuant to this Section 5.08(a) is not assignable by Boston Scientific except in connection with a merger, change of control, or sale of all or substantially all of Boston Scientific's and its Affiliates' vascular intervention business. Boston Scientific shall be responsible for all royalties payable by it and its Affiliates with respect to products sold by Boston Scientific and its Affiliates using the DES Intellectual Property licensed to Boston Scientific and its Affiliates pursuant to this Section 5.08. The parties hereby acknowledge that the spirit of this Section 5.08 and of the License and Technology Transfer Agreement is that Boston Scientific and its Affiliates will have access to the DES Intellectual Property as if they were co-owners thereof, including with respect to Boston Scientific's ability to supplement Abbott's PMA for DES Stents.

(b) Within 90 days after the Closing, each of Boston Scientific and Abbott shall conduct an initial inventory of DES Intellectual Property for purposes of facilitating the license and technology transfers contemplated by this Section 5.08. In connection with the foregoing, Abbott shall give Boston Scientific sufficient access to the Assets and Transferred Employees to enable it to conduct such an inventory. The parties will cooperate to minimize any disruption to the Transferred Employees or the Business during such period.

(c) From and after the Closing, Abbott will provide Boston Scientific with (i) copies of, and reasonable access to, all studies, analyses and other materials relating to pre-clinical work and clinical trial data or information relating to Existing DES Stents or any other drug eluting stent program in development by Guidant or its Affiliates at the time of Closing; (ii) copies of Abbott's submissions to all Governmental Authorities in connection with obtaining the requisite approvals to sell Existing DES Stents, (iii) reasonable access to the appropriate personnel of Abbott for purposes of understanding, and authorization to use in Boston Scientific's regulatory filings, Abbott's regulatory submissions, data and positions in connection with obtaining approvals to sell Existing DES Stents, (iv) information, including studies, analyses and other materials, relating to product performance of Existing DES Stents, (v) such technology and assistance included in the Assets as is necessary to enable Boston Scientific to have, within 12 months of the Closing, a validated manufacturing system sufficient to obtain FDA approval that will allow Boston Scientific to manufacture Existing DES Stents with yields and volumes comparable to those being manufactured by Abbott, (vi) the information and access described in clauses (i), (ii), (iii) and (iv) of this Section 5.08(c), to the extent related to any improvements or iterations to Existing DES Stents made prior to receipt of approval to sell such stents in Japan, and (vii) such assistance and access as is reasonably necessary for Boston Scientific to benefit fully from the DES Intellectual Property licensed hereunder or under the License and Technology Transfer Agreement. Notwithstanding the foregoing, neither Abbott nor its Affiliates will be required to provide Boston Scientific access to information that does not relate to DES Intellectual Property, nor shall the provision of information pursuant to this Section 5.08(c) materially interfere with Abbott's ability to conduct its business in the ordinary course. The parties will cooperate to effect the technology transfers contemplated by this Section 5.08 within 24 months following the Closing. The information and access described in clauses (i), (ii), (iii), (iv), (v) and (vii) will terminate on the second anniversary of the Closing, after which (and during the term of the applicable supply arrangement) Boston Scientific shall

receive from Abbott such access and information with respect to any improvements or iterations to DES Stents as are reasonably necessary to allow Boston Scientific to use the DES Intellectual Property as contemplated by this Section 5.08.

(d) From and after the Closing, Boston Scientific and Abbott will vigorously defend against any Action by any third party alleging that Existing DES Stents or DES Stents infringe any Intellectual Property of such third party. From and after the Closing, the parties will consult with each other with respect to a strategy for asserting DES Intellectual Property against third parties.

(e) From and after the Closing, Boston Scientific will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Abbott or any of its Affiliates based on or related to an allegation that (i) (A) any product that is approved for sale in the US, Europe or Japan, manufactured by Guidant or any of its Affiliates or for Guidant or any of its Affiliates by any Person other than a Restricted Person, and sold by Guidant or any of its Affiliates in commercial quantities as of the Closing, or (B) any products in human clinical trials as of the Closing manufactured by Guidant or any of its Affiliates or for Guidant or any of its Affiliates by any Person other than a Restricted Person, or (ii) any improvement or iteration of any product described in the preceding clause (i) infringes, misappropriates or otherwise violates any Intellectual Property owned, controlled or otherwise held by any of Boston Scientific or any of its Affiliates; provided, however, that nothing contained in this Section 5.08(e) shall prevent Boston Scientific or any of its Affiliates from filing, initiating, joining, maintaining or prosecuting any Action against Abbott or any of its Affiliates based upon an allegation that any change, including any change in the method of manufacture, to any of the products described in clause (i) of this Section 5.08(e) infringes, misappropriates or otherwise violates any Intellectual Property owned, controlled or otherwise held by any of Boston Scientific or any of its Affiliates; and provided, further, that with respect to drug eluting stent systems, such improvement or iteration shall incorporate everolimus as the sole therapeutic agent as well as the same polymers as are used in the drug eluting stent system in development by Guidant or its Affiliates as of the Closing. The covenant not to sue contained in this Section 5.08(e) shall extend only to suppliers, licensees, distributors and customers of Abbott and its Affiliates that are not Restricted Persons.

(f) From and after the Closing, to the extent Law or any agreement included in the Assets prevents Abbott from licensing any DES Intellectual Property to Boston Scientific pursuant to this Section 5.08, Abbott will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Boston Scientific or any of its Affiliates based upon an allegation that any product of Boston Scientific or any of its Affiliates infringes, misappropriates or otherwise violates any such DES Intellectual Property.

(g) Not later than the Closing, Boston Scientific will, on behalf of itself and its Affiliates, release, acquit and forever discharge Abbott and its Affiliates of and from any and all pending and potential claims (including all existing Actions by Boston Scientific and any of its Affiliates) against Guidant or any of its Affiliates and all demands, actions, suits, debts, liabilities, losses, attorneys' fees, expenses, judgments, settlements and other damages, expenses or costs of whatever nature, whether known or unknown, pending or future, certain or contingent arising out of, derived from, predicated upon or relating to any product manufactured by Guidant or any of its Affiliates or for Guidant or any of its Affiliates by any Person other than a

Restricted Person, approved for sale in the US, Europe or Japan and sold by Guidant or any of its Affiliates in commercial quantities as of the Closing.

(h) The parties recognize the benefit of maintaining their own product identity in connection with drug-eluting stent products. To this end, the license granted pursuant to this Agreement shall not extend to or cover "knock-off" products. A "knock-off" product is one that is developed or acquired after public release of an earlier product of another party or any of its Affiliates or after knowledge of an earlier product of another party or any of its Affiliates is otherwise acquired and is substantially identical to and is intended to imitate the earlier product. Notwithstanding the foregoing, if Abbott cannot supply Boston Scientific with DES Stents during the term of the supply arrangements, then Boston Scientific may, during the period that Abbott is not supplying Boston Scientific with DES Stents and for 90 days thereafter, make and sell DES Stents itself, with no obligation to make the payments contemplated by Section 5.07(b).

(i) Boston Scientific, on behalf of itself and its Affiliates, shall grant to Abbott and its Affiliates, as of the Closing, a non-exclusive, royalty-free, worldwide license under all Intellectual Property owned or, to the extent permitted by the applicable agreement, licensed to (with the right to sublicense) or otherwise controlled by, Guidant or any of its Affiliates immediately prior to the consummation of the Merger that is used in the Business but is not included in the Assets. The license granted pursuant to this Section 5.08(i) is not assignable by Abbott except in connection with a merger, change of control, or sale of all or substantially all of Abbott's vascular intervention business. The license will be sublicensable by Abbott to all suppliers, licensees, distributors and customers of Abbott and its Affiliates that are not Restricted Persons.

(j) None of the entry into this Agreement, any agreement contemplated hereby or any provision hereof or thereof, shall be deemed as an admission by either party of any wrongdoing, or of the validity or invalidity of any position taken or proposed to be taken by or against the other party in past, present or future litigation.

(k) In addition to the covenants contained in Section 5.08(e), for a period of five years following the date of the Closing, (i) Boston Scientific will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Abbott or any of its Affiliates based on or related to an allegation that any vascular interventional or endovascular products manufactured by Abbott or any of its Affiliates or for Abbott or any of its Affiliates by any Person other than a Restricted Person (provided that the arrangement described in Schedule 5.08(k) attached hereto shall not deprive Abbott of the benefit of this covenant with respect to the product involved in such arrangement) infringe, misappropriate or otherwise violate any Intellectual Property owned, controlled or otherwise held by Boston Scientific or any of its Affiliates; provided that Boston Scientific's covenant not to sue contained in this Section 5.08(k) shall extend only to suppliers, licensees, distributors and customers of Abbott and its Affiliates that are not Restricted Persons; and (ii) Abbott will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Boston Scientific or any of its Affiliates based on or related to an allegation that any vascular interventional or endovascular products manufactured by Boston Scientific or any of its Affiliates or for Boston Scientific or any of its Affiliates by any Person other than a Restricted Person infringe, misappropriate or otherwise violate any Intellectual Property owned, controlled or otherwise held by Abbott or any of its

Affiliates; provided that Abbott's covenant not to sue contained in this Section 5.08(k) shall extend only to suppliers, licensees, distributors and customers of Boston Scientific and its Affiliates that are not Restricted Persons. The parties hereby acknowledge that no implicit or explicit license is granted under this Section 5.08(k) and that neither of them is receiving, pursuant to this Agreement, any rights to the Intellectual Property of the other party other than as expressly set forth herein.

(l) Abbott hereby acknowledges that it has elected not to make available to Boston Scientific its patents under the Settlement Agreement dated February 20, 2004 by and among Guidant, Boston Scientific and certain of their Affiliate parties thereto (the "Settlement Agreement"). Accordingly, Abbott hereby acknowledges that the Guidant Companies (as defined in the Settlement Agreement) will forego the benefits of the licenses and covenants not to sue granted under the Settlement Agreement by the Boston Scientific Companies (as defined in the Settlement Agreement), and that the Boston Scientific Companies will continue to have the benefits of the licenses and covenants not to sue granted to them by the Guidant Companies in accordance with the terms and conditions of the Settlement Agreement.

(m) Abbott and Boston Scientific agree that if, between the date of the Closing and the date on which the Guidant drug eluting stent system that is the subject of human clinical trials as of the Closing Date is first approved for sale in Europe or the United States (the "First DES Stent"), Abbott reasonably determines that it is required to make any changes (including any change in the method of manufacturing) to the First DES Stent in response to requests, and in connection with receiving approvals, from the applicable Governmental Authority, then Abbott will, subject to Section 5.07(f), use its reasonable best efforts to make such changes if such changes would not result in a product that infringes the Intellectual Property of any Person other than Boston Scientific or any of its Affiliates or Abbott or any of its Affiliates. If, having made such changes, the First DES Stent would infringe the Intellectual Property of Boston Scientific or any of its Affiliates, Boston Scientific agrees that it will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Abbott or any of its Affiliates based on or related to an allegation that the First DES Stent infringes, misappropriates or otherwise violates any Intellectual Property owned, controlled or otherwise held by any of Boston Scientific or any of its Affiliates; provided, however, that any subsequent changes to the First DES Stent will be subject to Section 5.08(e). If, having made such changes, the First DES Stent would infringe the Intellectual Property of Abbott or any of its Affiliates, Abbott agrees that it will not, on behalf of itself or its Affiliates, file, initiate, join, maintain or prosecute any Action against Boston Scientific or any of its Affiliates based on or related to an allegation that the First DES Stent infringes, misappropriates or otherwise violates any Intellectual Property owned, controlled or otherwise held by Abbott or any of its Affiliates; provided, however, that Abbott's covenant not to sue contained in this Section 5.08(m) shall not extend to or cover any subsequent changes made by Boston Scientific or any of its Affiliates to the First DES Stent.

(n) Other than with respect to everolimus, nothing in this Agreement will extend to or cover the use by any Person: (i) other than Boston Scientific or any of its Affiliates, of paclitaxel or any other pharmaceutical owned by Boston Scientific or any of its Affiliates, and (ii) other than Abbott or any of its Affiliates, of zotarolimus (ABT-578) or any other pharmaceutical owned by Abbott or any of its Affiliates.

SECTION 5.09. Transition Services. (a) Following the Closing (i) Boston Scientific or one or more of its Affiliates will provide or make available to the Business those services, rights, properties and assets of Guidant and its Affiliates that are not included in the Assets reasonably required by Purchaser and such Affiliates to enable them to conduct the Business substantially as conducted as of the Closing, and (ii) Purchaser and its Affiliates will provide or make available to Boston Scientific and its Affiliates those services, rights, properties and assets reasonably required by Boston Scientific and its Affiliates to enable them to conduct the business conducted by Guidant and its Affiliates, other than the Business, in substantially the same manner as conducted as of the Closing, to the extent those services, rights, properties and assets are included in the Assets. In connection with the foregoing obligations, on or prior to the Closing, Boston Scientific and, to the extent applicable, its Affiliates shall enter into a transition services agreement with Purchaser and, to the extent applicable, its Affiliates (the "Transition Services Agreement"). The services, rights, properties and assets provided or made available hereunder will, in each case, be provided or made available at prices or rates determined on the basis of actual cost incurred by the applicable provider in performing the applicable service or making available the applicable rights, properties or assets for the recipient, including a reasonable allocation for overhead expenses attributable thereto, calculated in a manner consistent with past custom and practice, without markup for profit. Without limiting the generality of the foregoing, Purchaser and its Affiliates will have the right to use or obtain copies of the information technology systems of Guidant necessary to operate the Business for such period of time as Purchaser and its Affiliates reasonably deem necessary in order to allow them to transition to alternative systems if necessary.

(b) Shared Assets shall constitute Assets if such Shared Assets are used primarily in, or related primarily to, the Business. Otherwise, Shared Assets shall be retained by Boston Scientific. It is hereby understood and agreed that the party that does not receive Shared Assets shall receive the benefit and use of any such Shared Assets pursuant to this Agreement, the Transition Services Agreement or a lease or similar agreement.

(c) Unless the parties agree otherwise, any agreement to which Guidant or any of its subsidiaries is a party prior to the Closing that inures to the benefit or burden of each of the Business and the Excluded Assets ("Mixed Contract") shall be separated on or after the Closing, so that each of Purchaser and Boston Scientific shall be entitled to the rights and benefits and shall assume the related portion of any Liabilities (other than in the case of Purchaser, Excluded Liabilities) inuring to their respective businesses. If any Mixed Contract cannot be so separated, Abbott and Boston Scientific shall, and shall cause each of their respective Affiliates to, take such other reasonable and permissible action to cause; (i) the Assets associated with that portion of each Mixed Contract that relates to the Business to be enjoyed by Purchaser; (ii) the Liabilities (other than in the case of Purchaser, Excluded Liabilities) related with that portion of each Mixed Contract that relates to the Business to be borne by Purchaser; (iii) the assets associated with the portion of each Mixed Contract that relates to the Excluded Assets to be enjoyed by Boston Scientific; and (iv) the Liabilities (other than in the case of Purchaser, Excluded Liabilities) related with that portion of each Mixed Contract that relates to the Excluded Assets to be borne by Boston Scientific. The parties will cooperate with each other to effect such separation.

(d) Except as may otherwise be agreed by the parties, the parties shall not seek to assign any account receivable or accounts payable relating to both the Business and the Excluded

Assets ("Mixed Account"). Abbott and Boston Scientific shall, and shall cause each of their respective Affiliates to, take such other reasonable and permissible actions to cause (i) the Assets associated with that portion of each Mixed Account that relates to the Business to be enjoyed by Purchaser; (ii) the Liabilities (other than in the case of Purchaser, Excluded Liabilities) related with that portion of each Mixed Account that relates to the Business to be borne by Purchaser; (iii) the assets associated with that portion of each Mixed Account that relates to the Excluded Assets to be enjoyed by Boston Scientific; and (iv) the Liabilities (other than in the case of Purchaser, Excluded Liabilities) related with that portion of each Mixed Account that relates to the Excluded Assets to be borne by Boston Scientific.

(e) At and immediately after the Closing, but in no event no later than 365 days after the Closing, Purchaser shall cease to use and remove or cover the name "Guidant" from all signs, billboards, advertising materials (other than promotional inserts), telephone listings, stationary, office forms or other similar materials of the Business, unless such use is required by a Governmental Authority. Boston Scientific hereby grants to Abbott and its Affiliates, for a period of 5 years after the Closing, a non-exclusive and royalty free license to use all trademarks and trade names that include the name "Guidant" used in the Business as of the Closing. Thereafter, Abbott and its Affiliates shall not use such trademarks and trade names in connection with the Business or otherwise; provided, however, that nothing in this Section 5.09(e) shall prohibit Abbott and any of its Affiliates from selling any inventory in existence as of the fifth anniversary of the Closing, which inventory bears any such trademarks and trade names used in the Business. The parties will discuss in good faith whether Abbott may, at its request, continue to use such trademarks and trade names after the fifth anniversary of the Closing. Boston Scientific hereby covenants that, for a period of 5 years after the Closing, Boston Scientific, Guidant and any of its or their Affiliates shall not use any of the Guidant trademarks and trade names in connection with products included in the vascular intervention field, including DES Stents. The parties will cooperate with each other to avoid any confusion in the marketplace during the period when both parties are using the Guidant name. If Boston Scientific or Abbott divests the Carotid Stent Assets in accordance with Section 5.04(b), then Boston Scientific shall grant to the purchaser of such Carotid Stent Assets a license to use the Guidant name in connection therewith in a manner consistent with this Section 5.09(e) for a reasonable transition period.

SECTION 5.10. Abbott Loan. (a) At the Closing, Abbott will lend Boston Scientific $700,000,000 on a subordinated basis (relative to any senior indebtedness of Boston Scientific during the term of the loan) by wire transfer of immediately available funds to a bank account designated in writing by Boston Scientific to Purchaser not fewer than three Business Days prior to the date of the Closing. In connection with the foregoing obligation, Abbott and Boston Scientific shall enter into a subordinated promissory note (the "Note"). The full principal amount of the loan shall be payable on the fifth anniversary of the Closing. Interest shall accrue on the outstanding principal amount of the loan at a rate of 5.25% per annum. Interest shall be payable in arrears semiannually, and on the date on which the principal amount of the loan is paid in full. If Boston Scientific defaults in the payment of the outstanding principal amount of the loan on the fifth anniversary of the Closing, and if such default continues for a period of 15 days, the license granted pursuant to Section 5.08(a) will terminate upon written notice by Abbott upon the expiration of such 15-day period.

(b) In the event of a failure by Boston Scientific to pay any principal or interest when due (by operation of Law or otherwise) on the loan or on Boston Scientific's principal credit agreement or then outstanding public indebtedness, any proceeds Boston Scientific receives or is entitled to receive with respect to Milestone Payments pursuant to Section 2.04 will be applied, by set-off or recoupment, to prepay any amounts then outstanding under the loan. The loan will be prepayable at any time, in whole or in part, without penalty, at the option of Boston Scientific. Each such prepayment of the loan shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

SECTION 5.11. Tax Election. Abbott, in its sole discretion, may require Boston Scientific and/or its Affiliates, or Guidant and/or its Affiliates, as the case may be, to participate in the making of an election under section 338(h)(10) of the Code with respect to the purchase of any Shares that qualify for such treatment, including as a result of such an election. Boston Scientific and Guidant shall cooperate with Abbott in effecting each such election, including its timely filing. In connection with each such election, Abbott shall reasonably determine the fair market values of the assets of such entity, which shall in no event exceed the purchase price allocation to such entity under Section 2.03(b), and such valuations shall be binding on Boston Scientific and/or its Affiliates, or Guidant and/or its Affiliates, in completing any income tax returns reflecting gain or loss from the election. Abbott shall reimburse Boston Scientific and its Affiliates for any additional Taxes incurred as a result of their participation in any election under section 338(h)(10) of the Code.

SECTION 5.12. Insurance. The parties agree to cooperate in structuring the transactions contemplated by this Agreement so as to preserve to the fullest extent possible available insurance coverage with respect to Assumed Liabilities, the Business and any "D&O" coverage for employees of Guidant or its subsidiaries who primarily perform or have primarily performed their services for or with respect to the Business prior to the Closing.

SECTION 5.13. Further Action. (a) Each of Boston Scientific and Abbott shall use its reasonable best efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law and the agreements included in the Assets, and to execute and deliver such documents and other papers and any other agreements, as may be necessary to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement or to effect the separation of the Business and the Assets from other Guidant assets, including, to the extent practicable, reasonable steps to divide Shared Assets that are divisible and to obtain all required consents from third parties. Without limiting the generality of the foregoing, Boston Scientific and Abbott shall work diligently and in good faith toward the execution of, and shall, on or prior to the Closing, execute the Purchase Agreement and the other Definitive Agreements with such terms and conditions required pursuant hereto and such other terms and conditions as are mutually agreeable to the parties.

(b) Boston Scientific agrees that it shall not solicit, initiate, facilitate or pursue any arrangement relating to the Business or the Assets with any third parties other than Purchaser prior to the termination of this Agreement.

(c) To the extent that any of the transfers, distributions, deliveries and the assumptions required to be made in connection with the transactions contemplated by this Agreement shall not have been so consummated at Closing, the parties shall cooperate and use their reasonable best efforts to effect such consummation as promptly thereafter as reasonably practicable, including executing and delivering such further instruments of transfer and taking such other actions as the parties may reasonably request in order to effectuate the purposes of this Agreement or to more effectively transfer to Purchaser or confirm Purchaser's right, title to or interest in, all of the Assets, to put Purchaser in actual possession and operating control thereof and to permit Purchaser to exercise all rights with respect thereto (including rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained). In the event and to the extent that Boston Scientific or Abbott is unable to obtain any required consents, Boston Scientific or Guidant shall (i) continue to be bound thereby pending assignment to Purchaser, (ii) at the direction and expense of Purchaser,

pay, perform and discharge fully all of its obligations thereunder from and after the closing and prior to assignment to Purchaser and (iii) without further consideration therefor, pay, assign and remit to Purchaser promptly all monies, rights and other consideration received in respect of such agreements. Boston Scientific or Guidant shall exercise or exploit its rights and options under all such agreements, leases, licenses and other rights and commitments when and only as reasonably directed by Purchaser. If and when any such consent shall be obtained or such agreement, lease, license or other right shall otherwise become assignable, Boston Scientific shall, or shall cause Guidant to, promptly assign all its rights and obligations thereunder to Purchaser without payment of further consideration and Purchaser shall, without the payment of any further consideration therefor, assume such rights and obligations.

(d) In the event that the parties determine that certain assets, rights or properties which properly constitute Assets were not transferred to Purchaser at Closing, then Boston Scientific shall promptly take all steps reasonably necessary to transfer and deliver any and all of such assets to Purchaser without the payment by Abbott of any further consideration therefor. In the event that the parties determine that certain assets which do not properly constitute Assets were transferred to Purchaser at Closing, then Purchaser shall promptly take all steps reasonably necessary to transfer and deliver any and all of such assets to Boston Scientific without the payment by Boston Scientific of any further consideration therefor.

SECTION 5.14. Timing of Transactions. Boston Scientific may, and will if requested by Abbott, cause Guidant to (a) assume obligations of Boston Scientific under this Agreement and/or the Definitive Agreements (provided, that no such assumption shall (unless Abbott expressly agrees to the contrary) relieve Boston Scientific of such obligations) and (b) effect the Closing contemplated by this Agreement prior to the closing of the Merger, in either case if all of the respective conditions to Boston Scientific's, Sub's and Guidant's obligations to consummate the Merger, as set forth in the Merger Agreement, shall have been satisfied or waived, and each of Boston Scientific and Sub shall have notified Guidant, and Guidant shall have notified Boston Scientific and Sub, in writing that it is ready, willing and able to consummate the Merger as set forth in the Merger Agreement and will consummate such Merger immediately following the action set forth in subclauses (a) and (b).

SECTION 5.15. Other Agreements. Nothing in this Agreement or the Definitive Agreements shall prohibit Abbott from pursuing arrangements or agreements with Johnson &

Johnson or any other third party which has publicly announced a proposal that the Guidant board of directors has determined to be, or to be reasonably likely to result in or lead to, a Superior Proposal (as defined in the Merger Agreement). This Agreement and any Definitive Agreements entered into by the parties shall automatically terminate immediately prior to the closing of the acquisition of Guidant by Johnson & Johnson if such a closing occurs.

ARTICLE VI

EMPLOYEE MATTERS

SECTION 6.01. Transferred Employees. (a) As of the Closing, Purchaser or one of its Affiliates shall employ the U.S. Business Employees (as defined below) who are employed by the Transferred Subsidiaries, and on or prior to the Closing, Purchaser or one of its Affiliates shall offer employment to each of the other then-current U.S. Business Employees, in each case on substantially the same terms and conditions as in effect prior to the Closing (except as otherwise provided herein). For purposes of this Agreement, "U.S. Business Employee" means an employee of a Transferred Subsidiary employed in the United States as of the Closing, or an employee of the Business employed in the United States, in each case who primarily performs his or her services for or with respect to the Business as of the Closing, including any such employee who is inactive because of leave of absence, vacation, holiday or long-term disability. For purposes of this Agreement, "U.S. Transferred Employee" means each U.S. Business Employee of the Transferred Subsidiaries and each other U.S. Business Employee who accepts the offer of employment by Purchaser or its Affiliate.

(b) Purchaser or one of its Affiliates shall (i) continue to employ each Non-U.S. Business Employee (as defined below) of a Transferred Subsidiary as of the Closing (where employment continues by operation of Law), (ii) continue to employ each Non-U.S. Business Employee as of the Closing (where employment transfers by operation of Law), and (iii) on or prior to the Closing, make offers of employment with respect to all other Non-U.S. Business Employees whose employment does not transfer to Purchaser by operation of Law, in each case on substantially the same terms and conditions as in effect for each such employee prior to the Closing (except as otherwise provided herein). For purposes of this Agreement, "Non-U.S. Business Employee" means an employee of the Business as of the Closing who primarily performs his or her services for or with respect to the Business outside the U.S. as of the Closing, including any such employee who is inactive because of leave of absence, vacation, holiday or long-term disability, and "Non-U.S. Transferred Employee" means each Non-U.S. Business Employee of a Transferred Subsidiary, whose employment transfers to Purchaser or one of its Affiliates by operation of Law, or who accepts the offer of employment by Purchaser or one of its Affiliates. Collectively, the U.S. Transferred Employees and the Non-U.S. Transferred Employees shall be referred to as "Transferred Employees".

SECTION 6.02. Employee Benefits. (a) For a period of twelve months following the Closing, Transferred Employees who remain in the employment of Purchaser or any of its Affiliates shall receive employee benefits that in the aggregate are substantially comparable to the employee benefits provided to such employees immediately prior to the Closing. For the six-month period immediately following the expiration of the twelve-month period described in the preceding sentence, the Transferred Employees who remain in the

employment of Purchaser and its Affiliates shall receive employee benefits that in the aggregate are substantially comparable to either the employee benefits provided to such employees immediately prior to the Closing or the employee benefits provided to similarly situated employees of Purchaser or any of its Affiliates. For a period of not less than eighteen months following the Closing, the Transferred Employees who remain in the employment of Purchaser or any of its Affiliates shall receive base salary or wage rates that are not less than those in effect for such Transferred Employees immediately prior to the Closing; provided, however, that neither Purchaser nor any of its Affiliates shall have any obligation to issue, or adopt any plans or arrangements providing for the issuance of, shares of capital stock, warrants, options, stock appreciation rights or other rights in respect of any shares of capital stock of any entity or any securities convertible or exchangeable into such shares pursuant to any such plans or arrangements; and provided, further, that no plans or arrangements of Guidant or Boston Scientific or any of its or their respective Affiliates providing for such issuance shall be taken into account in determining whether employee benefits are substantially comparable in the aggregate, except as otherwise required by Law. Except as required by Law or expressly provided in Section 6.03(b), nothing contained in this Agreement shall be construed as requiring Purchaser or one of its Affiliates to continue or offer any specific employee benefit plans or to continue the employment of any specific person. Notwithstanding anything in this Article VI to the contrary, Purchaser and its

Affiliates shall be responsible for any severance or similar termination payments or to pay severance benefits that may become payable to any U.S. Business Employee who is not a Transferred Employee, and Abbott shall indemnify Boston Scientific from any and all liabilities for such payments. In the event that any of the obligations to make severance or similar termination payments or to pay severance benefits to U.S. Business Employees are covered by cash, insurance contracts, or other assets specifically set aside and designated by Guidant for this purpose, Boston Scientific shall cause to be transferred to Purchaser or to the appropriate benefit or compensation plan or arrangement of Purchaser or its Affiliate, such cash, insurance contracts or other assets as of the Closing.

(b) Purchaser shall recognize the prior service of each Transferred Employee as if such service had been performed with Purchaser (i) for purposes of vesting (but not benefit accrual) under Purchaser's defined benefit pension plan, (ii) for purposes of eligibility for vacation under Purchaser's vacation program, (iii) for purposes of eligibility and participation under any health or welfare plan maintained by Purchaser (other than any post-employment health or post-employment welfare plan), (iv) for purposes of eligibility for the company matching contribution under a 401(k) savings plan maintained by Purchaser (it being understood that each Transferred Employee who was participating in Guidant's 401(k) savings plan immediately prior to becoming eligible to participate in that 401(k) savings plan of Purchaser or its Affiliates shall be immediately eligible for the company matching contribution under that 401(k) savings plan maintained by Purchaser or one of its Affiliates), and (v) unless covered under another arrangement with or of Guidant, for benefit accrual purposes under Purchaser's severance plan, (in the case of each of clauses (i), (ii), (iii), (iv) and (v), solely to the extent that (x) Boston Scientific makes such plan or program available to employees of the Surviving Corporation (as defined in the Merger Agreement), it being Boston Scientific's current intention to do so, (y) such recognition does not result in any duplication of benefits, but (z) not for purposes of any other employee benefit plan of Purchaser or any of its Affiliates or any other purpose not expressly described in this Section 6.02(b), except as required by Law).

(c) With respect to any welfare plan maintained by Purchaser in which Transferred Employees are eligible to participate after the Closing, Purchaser shall (i) waive all limitations as to preexisting conditions and exclusions with respect to participation and coverage requirements applicable to such employees to the extent such conditions and exclusions were satisfied or did not apply to such employees under the welfare plans maintained by Guidant prior to the Closing and (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan.

(d) With respect to Non-U.S. Transferred Employees, Purchaser shall, and shall cause its applicable Affiliates to, comply with all applicable Laws, directives and regulations relating to the Non-U.S. Transferred Employees. Purchaser and its Affiliates shall be responsible for any severance, redundancy or similar termination payments that may become payable to any Non-U.S. Business Employee in connection with the transactions contemplated by this Agreement, and Abbott shall indemnify Boston Scientific from any and all liabilities for such payments; provided, however, that to the extent that, after the Closing, Purchaser or any of its Affiliates incurs a second severance, redundancy or similar termination payment liability with respect to any particular Non-U.S. Business Employee who becomes a Non-U.S. Transferred Employee under Section 6.01(b) and who is subsequently terminated by Purchaser for just cause within 12 months of the Closing, Boston Scientific shall indemnify Purchaser for an amount equal to the lesser of the two severance liabilities. In the event that any of the obligations to make severance, redundancy or similar termination payments to Non-US Business Employees are covered by cash, insurance contracts, or other assets specifically set aside and designated by Guidant for this purpose, Boston Scientific shall cause to be transferred to Purchaser or to the appropriate benefit or compensation plan or arrangement of Purchaser or its Affiliate, such cash, insurance contracts, or other assets as of the Closing.

(e) Purchaser shall assume all liabilities (other than any stock option liabilities described in Section 6.03(a)) related to the Non-U.S. Transferred Employees, including, without limitation, any liabilities under any employee benefit plan of Guidant regardless of whether such employee benefit plan transfers automatically to Purchaser as a result of the transactions contemplated by this Agreement. In addition to any cash, insurance contracts or other assets that will transfer automatically to Purchaser or its Affiliates or to the Non-U.S. Transferred Employees as a result of the transactions contemplated by this Agreement, Boston Scientific shall cause to be transferred to Purchaser or its Affiliates, or the appropriate compensation or benefit plan of Purchaser or its Affiliates, such cash, insurance contracts, or other assets, if any, specifically set aside and designated by Guidant in respect of the liabilities related to the Non- U.S. Transferred Employees as of the Closing, including, without limitation, assets of any applicable compensation or benefit plan of Guidant, to the extent such assets do not transfer automatically to Purchaser or its Affiliates as a result of the transactions contemplated by this Agreement. However, any such transfer shall be subject to the consent of the affected Non-U.S. Transferred Employees to the extent required by Law.

(f) With respect to U.S. Transferred Employees, Abbott shall pay Boston Scientific an amount equal to the present value as of the Closing of the excess, if any, of the pre- Closing liabilities attributable to the U.S. Transferred Employees over the assets, accruals and reserves set aside and designated by Guidant in respect of those types of liabilities, in each

instance to the extent provided by, and as determined in accordance with, the principles set forth on Schedule 6.02(f). Should such designated assets, accruals and reserves allocable to such liabilities exceed those liabilities, Boston Scientific shall pay Abbott such excess. In either event, a single payment for the net amount of the difference shall be paid within 12 months of the Closing. In addition, Boston Scientific will cause all Transferred Employees to be fully vested in their account balances under the Guidant Employee Savings and Stock Ownership Plan (as defined in the Merger Agreement) and they shall receive a proportionate share of any previously unallocated shares of stock that may be allocated to participants under such plan in connection with the transactions contemplated by this Agreement and the Merger Agreement; provided, however, that nothing in this sentence shall require Boston Scientific or its Affiliates to contribute any additional amount to such plan.

SECTION 6.03. General Matters. (a) All outstanding Guidant stock options held immediately prior to the Closing by any Transferred Employee shall be extinguished in accordance with their terms upon the Closing, and, in satisfaction thereof, Boston Scientific shall provide the holder of each such option, as soon as practicable following the Closing, but in all cases within the period necessary to comply with Code Section 409A, either (i) a payment in cash equal to the excess of the aggregate fair market value of the Guidant shares as of the Closing subject to each such option as of the Closing over the aggregate exercise price of such option with respect to those shares, net any applicable withholding Taxes, or (ii) a number of shares of common stock of Boston Scientific with a fair market value as of the Closing equal to the excess of the aggregate fair market value of the shares subject to each such option over the aggregate exercise price of such option, net any applicable withholding Taxes, to be determined by applying the conversion formula in Section 5.04(a) of the Merger Agreement to each Guidant option to determine the number of shares of common stock of Boston Scientific that would have been

subject to such option and the exercise price of such option, adjusted as if the option holder had not been a Transferred Employee, at Boston Scientific's election provided that such election applies to all Transferred Employees.

(b) After the Closing, Purchaser shall maintain and administer the Guidant Change in Control Severance Pay Plan for Select Employees and the Guidant Change in Control Severance Pay Plan for Employees (the "Guidant CIC Plans") with respect to any benefits afforded thereunder to any Transferred Employees; provided, however, that Purchaser or any of its Affiliates shall have the right to amend or terminate the Guidant CIC Plans with respect to the Transferred Employees in accordance with their terms.

(c) No provision of this Agreement or the corresponding provisions of the Purchase Agreement shall create any third party beneficiary rights in any employee of the Business, or any other current or former employee, independent contractor, or director of Guidant, Boston Scientific, Purchaser or any of its or their respective Affiliates, in respect of employment or any other matter.

SECTION 6.04. Mutual Non-Solicitation. Without the prior written consent of Abbott, Boston Scientific shall not, for a period of two years following the Closing, take any action to solicit any sales representative or person performing a similar function who is a Transferred Employee and who is employed by the Business (whether as an employee or independent contractor) to terminate his or her employment with the Business or to seek or

accept employment with Boston Scientific or any of its Affiliates. Without the prior written consent of Boston Scientific, Abbott shall not, and shall cause the Purchaser not to, for a period of two years following the Closing, take any action to solicit any sales representative or person performing a similar function who is employed by Guidant or its Affiliates immediately prior to the consummation of the Merger (other than any Transferred Employee) and who, after the consummation of the Merger, is employed by the Surviving Corporation or its successor or any of their Affiliates (whether as an employee or independent contractor) and primarily performs his or her services for or with respect to the Excluded Businesses, to terminate his or her employment with the Surviving Corporation or its successor or their Affiliates or to seek or accept employment with Abbott or any of its Affiliates. Notwithstanding the foregoing, nothing contained herein shall prevent either party or their Affiliates from offering employment or service to persons who respond to a general solicitation or advertisement that is not specifically directed at them (and nothing shall prohibit such general solicitation or advertisement).

ARTICLE VII

TAXES

SECTION 7.01. Apportionment. With respect to any Tax Return for any Straddle Period of a Transferred Subsidiary, Abbott will, to the extent permitted by Law, elect to treat the Closing as the last day of the taxable year or period and will apportion any Taxes arising out of or relating to a Straddle Period to the Pre-Closing Period under the "closing-the-books" method as described in Treasury Regulation Section 1.1502-76(b)(2)(i) (or any similar provision of state, local or foreign law). In any case where applicable Law does not permit a Transferred Subsidiary to treat the Closing as the last day of the taxable year or period, any Taxes arising out of or relating to a Straddle Period will be apportioned to the Pre-Closing Period based on a closing of the books; provided, however, that (a) exemptions, allowances or deductions that are calculated on an annualized basis (including depreciation, amortization and depletion deductions) will be apportioned on a daily pro rata basis, (b) solely for purposes of determining the marginal tax rate applicable to income during such period in a jurisdiction in which such tax rate depends upon the level of income, annualized income will be taken into account, and (c) real and personal property Taxes shall be allocated on a per diem basis.

SECTION 7.02. Tax Return Filing and Amendment. Boston Scientific will prepare and file, or cause to be prepared and filed, all Tax Returns of each Transferred Subsidiary with respect to periods ending on or before Closing to the extent such returns have not been filed prior to Closing, and Boston Scientific will pay, or cause to be paid, all Taxes shown as due thereon. Abbott will prepare and file, or cause to be prepared and filed all Tax Returns of each Transferred Subsidiary with respect to any Straddle Period to the extent such returns have not been filed prior to Closing, and Abbott will pay, or cause to be paid, all Taxes shown as due thereon; provided that nothing in this Section 7.02 shall affect the rights of Abbott to indemnification under Section 10.02(a)(iii). A copy of the relevant portions of any such Straddle Period Tax Return filed shall be provided to Boston Scientific no later than five days after such Tax Return was filed.

SECTION 7.03. Resolution of Tax Controversies. In the event that a Governmental Authority determines a deficiency in any Tax, the party ultimately responsible for

such Tax under this Agreement, whether by indemnity or otherwise, shall have authority to determine whether to dispute such deficiency determination and to control the prosecution or settlement of such dispute.

ARTICLE VIII

CONDITIONS TO CLOSING

SECTION 8.01. Conditions to Obligation of Boston Scientific. The obligation of Boston Scientific to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. Each of the representations and warranties of Abbott contained in this Agreement shall be true and correct in all material respects as of the Closing, with the same force and effect as if made as of the Closing (other than such representations and warranties as are made as of another date, which shall be true and correct in all material respects as of such date), except in either case where any failure of such representations and warranties to be so true and correct would not materially delay or prevent the consummation of the transactions contemplated hereby, and the covenants and agreements contained in this Agreement to be complied with by Abbott on or before the Closing shall have been complied with in all material respects, and Boston Scientific shall have received a certificate signed on behalf of Abbott by an officer of Abbott to such effect;

(b) Governmental Approvals. Any waiting period (and any extension thereof) under the HSR Act and the EU Merger Regulation applicable to the purchase of the Business contemplated by this Agreement, and any agreement with a Governmental Authority not to consummate the transactions contemplated by this Agreement, shall have expired or shall have been terminated, and Boston Scientific or Abbott, as the case may be, shall have obtained all authorizations, consents, orders and approvals of all Governmental Authorities that, if not received, would make any of the transactions contemplated by this Agreement or any of the other Definitive Agreements illegal or otherwise prohibit the consummation of such transactions;

(c) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions; and

(d) Merger Consummated; Closing Conditions Satisfied. Either (i) the closing of the Merger shall have occurred, or (ii) to the extent Boston Scientific or Abbott has elected to consummate the transactions contemplated by this Agreement or the Purchase Agreement prior to the consummation of the Merger as contemplated by Section 5.14, all of the respective conditions to Boston Scientific's, Sub's and Guidant's obligations to consummate the Merger, as set forth in the Merger Agreement, shall have been satisfied

or waived, and each of Boston Scientific and Sub shall have notified Guidant, and Guidant shall have notified Boston Scientific and Sub, in writing (with copies of such notices having been delivered to Abbott) that it is ready, willing and able to consummate the Merger (and will consummate the Merger immediately following the consummation of the transactions contemplated by this Agreement or the Purchase Agreement).

SECTION 8.02. Conditions to Obligation of Abbott. The obligation of Abbott to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. Each of the representations and warranties of Boston Scientific contained in this Agreement shall be true and correct as of the Closing, with the same force and effect as if made as of the Closing (other than such representations and warranties as are made as of another date, which shall be true and correct as of such date), except in either case where any failure of such representations and warranties to be so true and correct would not materially delay or prevent the consummation of the transactions contemplated hereby, and the covenants and agreements contained in this Agreement to be complied with by Boston Scientific on or before the Closing shall have been complied with in all material respects, and Abbott shall have received a certificate signed on behalf of Boston Scientific by an officer of Boston Scientific to such effect;

(b) Governmental Approvals. Any waiting period (and any extension thereof) under the HSR Act or the EU Merger Regulation applicable to the purchase of the Business contemplated by this Agreement, and any agreement with a Governmental Authority not to consummate the transactions contemplated by this Agreement, shall have expired or shall have been terminated, and Boston Scientific or Purchaser, as the case may be, shall have obtained all authorizations, consents, orders and approvals of all Governmental Authorities that, if not received, would make any of the transactions contemplated by this Agreement illegal or otherwise prohibit the consummation of such transactions;

(c) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions; and

(d) Merger Consummated; Closing Conditions Satisfied. Either (i) the closing of the Merger shall have occurred, or (ii) to the extent Boston Scientific or Abbott has elected to consummate the transactions contemplated by this Agreement or the Purchase Agreement prior to the consummation of the Merger as contemplated by Section 5.14, all of the respective conditions to Boston Scientific's, Sub's and Guidant's obligations to consummate the Merger, as set forth in the Merger Agreement, shall have been satisfied or waived, and each of Boston Scientific and Sub shall have notified Guidant, and Guidant shall have notified Boston Scientific and Sub, in writing (with copies of such notices having been delivered to Abbott) that it is ready, willing and able to consummate

the Merger (and will consummate the Merger immediately following the consummation of the transactions contemplated by this Agreement or the Purchase Agreement).

ARTICLE IX

TERMINATION

SECTION 9.01. Termination. This Agreement may be terminated, or in the case of clause (e) below shall terminate, at any time prior to the Closing in the following circumstances:

(a) by the mutual written consent of Boston Scientific and Abbott;

(b) by either Boston Scientific or Abbott, if the Closing shall not have occurred by September 30, 2006; provided, however, that the right to terminate this Agreement under this Section 9.01(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(c) by either Boston Scientific or Abbott in the event that any Governmental Order restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement shall have become final and non-appealable;

(d) by Abbott if Boston Scientific has failed to submit to Guidant a publicly- announced firm offer regarding a proposed acquisition of Guidant by Boston Scientific prior to the close of business on the fourth Business Day following execution of this Agreement; or

(e) immediately, without any action by either Boston Scientific or Abbott, (i) upon the approval of the J&J Merger Agreement by the shareholders of Guidant, (ii) in accordance with Section 5.15 hereof, (iii) if the Merger Agreement is not entered into by February 7, 2006, or (iv) upon any termination of the Merger Agreement.

SECTION 9.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except (a) as set forth in Section 5.03 and Article XI and (b) that nothing herein shall relieve either party from liability for any breach of this Agreement occurring prior to such termination.

ARTICLE X

INDEMNIFICATION

SECTION 10.01. Survival of Representations and Warranties. The representations and warranties of the parties hereto contained in this Agreement and the Purchase Agreement shall terminate at the Closing.

SECTION 10.02. Indemnification by Boston Scientific. (a) From and after the Closing, Abbott and its Affiliates, officers, directors, agents, successors and assigns (the "Abbott Indemnified Parties") shall be indemnified and held harmless by Boston Scientific for and against all losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' and consultants' fees and expenses) actually suffered or incurred by them (hereinafter, a "Loss") to the extent arising out of or related to:

(i) the Excluded Assets;

(ii) the Excluded Liabilities;

(iii) Taxes of Boston Scientific, Guidant or any of their Affiliates (as a transferee or successor by contract or otherwise and including any Taxes arising under Regulation 1.1502-6 or similar Law) attributable to any Pre-Closing Tax Period (other than Taxes referred to in the last sentence of Section 5.11); and

(iv) Taxes of Abbott or any of its Affiliates for any Post-Closing Period that would not have been incurred but for a net adjustment to a Pre-Closing Period Tax Liability of Guidant or any of its Affiliates.

(b) In addition to the provisions of Section 10.02(a), from and after the Closing, the Abbott Indemnified Parties shall be indemnified and held harmless by Boston Scientific for and against (i) any action between the date hereof and the Closing with respect to the Assets, the U.S. Business Employees, the Non-U.S. Business Employees or the Business that would have been a breach of the covenants contained in Section 4.01 of the Merger Agreement if such covenants had been made with respect to the Assets, the U.S. Business Employees, the Non-U.S. Business Employees or the Business rather than having been made with respect to Guidant's assets, employees and businesses; provided, however, that Boston Scientific shall have no obligation to indemnify any Abbott Indemnified Party pursuant to this clause (i) unless and until the aggregate amount of all such amounts indemnifiable under this clause (i) exceeds $100,000,000, in which case Boston Scientific will only be liable for amounts indemnifiable under this clause (i) in excess of such amount; and (ii) the occurrence of a Material Adverse Effect between the date of this Agreement and the Closing. Boston Scientific and Abbott will use their reasonable best efforts to agree on the amount of any indemnification payable under this Section 10.02(b). In the event Boston Scientific and Abbott are unable to reach agreement on such amount despite the use of such efforts, such amount shall be determined by an independent investment banking firm or accounting firm (depending on the subject matter of the claim) of international reputation reasonably acceptable to each of Boston Scientific and Abbott using customary valuation methodologies. The determination of such independent investment banking firm shall be final and binding on Boston Scientific and Abbott. The fees and expenses of such independent investment banking firm shall be shared equally between Boston Scientific and Abbott.

SECTION 10.03. Indemnification by Abbott. From and after the Closing, Boston Scientific and its Affiliates, officers, directors, agents, successors and assigns shall be indemnified and held harmless by Abbott for and against any and all Losses to the extent arising

out of or related to the Business (other than the Excluded Liabilities) and the Assumed Liabilities.

SECTION 10.04. Limits on Indemnification. (a) Notwithstanding anything to the contrary contained in this Agreement, neither party hereto shall have any Liability under Section 10.02(a) for any punitive, incidental, consequential, special or indirect damages, except to the extent that any such damages are awarded in connection with a Third Party Claim against an indemnified party and such indemnified party is entitled to be indemnified hereunder as a result of the facts or circumstances giving rise to such Third Party Claim.

(b) For all purposes of this Article X, "Losses" shall be net of any insurance or other recoveries actually paid to an indemnified party or its Affiliates in connection with the facts giving rise to the right of indemnification.

SECTION 10.05. Notice of Loss; Third Party Claims. (a) An indemnified party shall give the indemnifylng party notice of any matter that an indemnified party has determined has given or could give rise to a right of indemnification under this Agreement, within 60 days of such determination, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises.

(b) If an indemnified party shall receive notice of any Action from or involving any third party that the indemnified party believes is reasonably likely to give rise to a right of indemnification under this Article X (each, a "Third Party Claim"), then, as promptly as practicable after the receipt

of such notice, the indemnified party shall give the indemnifying party notice of such Third Party Claim, stating the amount of the Loss, if known, and method of computation thereof and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice shall not release the indemnifying party from any of its obligations under this Article X except to the extent that such failure actually results in a detriment to the indemnifying party and shall not relieve the indemnifying party from any other Liability that it may have to any indemnified party other than under this Article X. The indemnifying party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel reasonably satisfactory to the indemnified person if it gives notice of its intention to do so to the indemnified party within 15 days of the receipt of such notice from the indemnified party. If the indemnifying party elects to undertake any such defense against a Third Party Claim, the indemnified party may participate in such defense at its own expense. The indemnified party shall reasonably cooperate with the indemnifying party in such defense and make available to the indemnifying party, at the indemnifying party's expense, all witnesses, pertinent records, materials and information in the indemnified party's possession or under the indemnified party's control relating thereto as is reasonably required by the indemnifying party. If the indemnifying party elects to direct the defense of any such claim or proceeding, it shall not consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed. No indemnifying party shall be liable for any settlement of a Third Party Claim effected without such indemnifying party's prior written consent, which consent shall not be unreasonably withheld or delayed.

SECTION 10.06. Tax Treatment of Indemnity Payments. For all Tax purposes, the parties agree to treat all payments made under any indemnity provisions contained in this Agreement as adjustments to the Purchase Price.

ARTICLE XI

GENERAL PROVISIONS

SECTION 11.01. Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the other Definitive Agreements and the transactions contemplated hereby and thereby shall be borne by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

SECTION 11.02. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by an internationally recognized overnight courier service, by facsimile, by e-mail or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.02):

(a) if to Boston Scientific:

Boston Scientific Corporation
One Boston Scientific Place
Natick, Massachusetts 01760
Fax: (508) 650-8960
Attention: General Counsel

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022-6069
Fax: (212) 848-7179
Attention: Peter D. Lyons
Clare O'Brien

(b) if to Abbott:

Abbott Laboratories
Dept. 0392, Bldg. AP6D
100 Abbott Park Road
Abbott Park, Illinois 60064-3500
Fax: (847) 935-8207
Attention: Chief Operating Officer, Medical Products Group

with a copy to:

Abbott Laboratories
Dept. 364, Bldg. AP6D
100 Abbott Park Road
Abbott Park, Illinois 60064-6020 USA
Fax: (847) 938-6277
Attention: General Counsel

and a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3903
Fax: (212) 455-2502
Attention: Charles I. Cogut
William E. Curbow

SECTION 11.03. Public Announcements. Each party to this Agreement shall consult with the other party before issuing, and shall provide the other party the opportunity to review and comment upon, any press release or other public announcement in respect of this Agreement or the transactions contemplated hereby and shall not issue any press release or other public statements or otherwise communicate with any news media regarding this Agreement and/or the transactions contemplated hereby without the consultation and prior written consent of the other party unless otherwise required by Law or applicable stock exchange regulation and then only with such advance notice to and consultation with the other party as is practical. The parties to this Agreement shall cooperate as to the timing and contents of any such press release, public announcement or communication. The parties agree that they shall each issue a press release announcing the execution of this Agreement, the contents of which shall be reasonably satisfactory to the other party. Notwithstanding the foregoing, neither party shall have any obligation to consult with the other party or provide the other party with an opportunity to review and comment upon any press release or other public announcement announcing a termination of this Agreement, and such party may issue such press release or public announcement or otherwise communicate with any news media regarding such termination without the consent of the other party; provided, however, that the non-terminating party shall have received advance written notice of the other party's intention to terminate this Agreement.

SECTION 11.04. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

SECTION 11.05. Entire Agreement. This Agreement and the Confidentiality Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, between Boston Scientific and Abbott with respect to the subject matter hereof and thereof.

SECTION 11.06. Assignment. This Agreement may not be assigned without the express written consent of Boston Scientific and Abbott (which consent may be granted or withheld in the sole discretion of Boston Scientific or Abbott), as the case may be; provided, however, that (a) either party may, without the consent of the other party, assign its rights and obligations, in whole or in part, under this Agreement to one or more of its controlled Affiliates, except that no such assignment shall relieve the assigning party from the performance of its obligations hereunder, (b) Boston Scientific may, without the consent of Abbott, assign its rights and obligations, in whole or in part, under this Agreement to Guidant so long as Boston Scientific remains liable for its obligations hereunder, or to any acquiror of all or substantially all of Boston Scientific's vascular intervention business, and (c) Abbott may, without the consent of Boston Scientific, assign its rights and obligations, in whole or in part, under this Agreement to any designee of Abbott in the event Abbott divests any of the Assets that would otherwise be acquired by Abbott pursuant hereto due to applicable antitrust laws and regulations. Any purported assignment in contravention of this provision shall be null and void.

SECTION 11.07. Amendment. This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, Boston Scientific and Abbott or (b) by a waiver in accordance with Section 11.08.

SECTION 11.08. Waiver. Either party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto or (c) to the extent permitted by applicable Law, waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of either party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

SECTION 11.09. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns and nothing herein is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

SECTION 11.10. Other Remedies; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties hereto agree that irreparable damage would occur in the event that

any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at Law or in equity.

SECTION 11.11. Interpretive Rules. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and all Article and Section references are to this Agreement unless otherwise specified. The words "include," "includes" and "including" will be deemed to be followed by the phrase "without limitation." The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation

of this Agreement. No provision of this Agreement shall be construed to require either party or their respective officers, directors, subsidiaries or Affiliates to take any action which would violate or conflict with any applicable Law. The word "if" means "if and only if." The word "or" shall not be exclusive. The meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. Except as otherwise expressly provided herein, all references to "dollars" or "$" will be deemed references to the lawful money of the United States of America.

SECTION 11.12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. All Actions arising out of or relating to this Agreement shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of The City of New York; provided, however, that if such federal court does not have jurisdiction over such Action, such Action shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of The City of New York. Consistent with the preceding sentence, the parties hereto hereby (a) submit to the exclusive jurisdiction of any federal or state court sitting in the Borough of Manhattan of The City of New York for the purpose of any Action arising out of or relating to this Agreement brought by either party hereto and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the transactions contemplated by this Agreement may not be enforced in or by any of the above-named courts. Each party further irrevocably consents to the service of process out of any of the aforementioned courts in any such Action by the mailing of copies thereof by mail to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt by registered mail; provided, however, that nothing in this Section 11.12 shall affect the right of any party to serve legal process in any other manner permitted by law. The consent to jurisdiction set forth in this Section 11.12 shall not constitute a general consent to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 11.12.

SECTION 11.13. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW

ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.13.

SECTION 1 1.14. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Boston Scientific and Abbott have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

BOSTON SCIENTIFIC CORPORATION

By: /s/ Lawrence C. Best
Name: Lawrence C. Best
Title: Executive Vice President, Chief Financial Officer

ABBOTT LABORATORIES

By: /s/ Richard A. Gonzalez
Name: Richard A. Gonzalez
Title: President and Chief Operating Officer, Medical Products Group

SCHEDULE 1.0l

RESTRICTED PERSONS

- Johnson & Johnson
- Medtronic, Inc.
- St. Jude Medical, Inc.

- Conor Medsystems, Inc.
- ev3 Inc.
- any other Person that has publicly announced prior to Closing an intention to develop a drug eluting stent product (other than any Person with which any of Abbott, Guidant or Boston Scientific, as the context requires, has an agreement or purchasing arrangement as of the date hereof)

SCHEDULE 3.05

KNOWLEDGE

- **Fredericus A. Colen**
  Executive Vice President and Chief Technology Officer

- **Brian R. Burns**
  Senior Vice President, Quality

- **Paul W. Sandman**
  Executive Vice President and General Counsel

SCHEDULE 5.08(k)

OEM Agreement dated May 9, 2002 between Abbott Vascular Devices Ireland Limited and Medtronic Vascular Galway Limited, as amended.

SCHEDULE 6.02(f)

PAYMENT PRINCIPLES

1. SERP / Pension – An amount equal to:

   (i) The actuarially determined accumulated benefit obligations attributable to the U.S. Transferred Employees, compared to

   (ii) The assets, accruals and reserves attributable to the U.S. Transferred Employees.

   This actuarial determination would be performed using the actuarial assumptions used by Guidant in preparing its most recent 10-K; provided, however, the discount rate will be determined as of the date of Closing in the same manner as the discount rate was determined in Guidant's most recent Form 10-K. Assets, accruals, and reserves shall be allocated in proportion to the related liability.

2. Active Healthcare – An amount equal to:

   (i) The reserve established by Guidant at Closing for unreported medical claims (IBNR) attributable to the U.S. Transferred Employees, compared to

   (ii) The actual medical claims made by such employees with respect to those previously unreported medical claims plus the recalculated IBNR for such claims determined at a date six months following Closing.

   In the event these amounts cannot be so determined at a commercially reasonable cost, Abbott and Boston will agree upon a fair and equitable method of making such determination.

3. 401(K) /ESOP –This plan is not taken into account for purposes of this schedule.

4. Retiree Healthcare Plan - This plan is not taken into account for purposes of this schedule.

5. Other Employee Plans – Where either (i) plan assets, accruals or reserves or (ii) plan liabilities can be determined on an individual employee-by-employee basis at a commercially reasonable cost, they shall be so determined for purposes of making the calculations hereunder. Where they cannot be so determined, Abbott and Boston will agree upon a fair and equitable method of making such determination.

6. Plan Administration Costs – Plan administration costs will be disregarded, and will not be a factor, in the calculations under this schedule.

Exhibit 10.29

EXECUTION COPY

AMENDMENT NO. 1
TO
TRANSACTION AGREEMENT

THIS AMENDMENT NO. 1 TO TRANSACTION AGREEMENT (this "Amendment"), dated as of January 16, 2006, between BOSTON SCIENTIFIC CORPORATION, a Delaware corporation ("Boston Scientific"), and ABBOTT LABORATORIES, an Illinois corporation ("Abbott").

WHEREAS, Boston Scientific and Abbott are parties to that certain Transaction Agreement dated as of January 8, 2006 pursuant to which Abbott agreed to acquire certain assets and businesses and assume certain liabilities of Guidant contingent upon Boston Scientific's acquisition of Guidant (the "Agreement");

WHEREAS, Boston Scientific has advised Abbott that it desires to increase the amount of the merger consideration it is offering to pay Guidant shareholders in its proposed acquisition of Guidant; and

WHEREAS, Boston Scientific and Abbott desire to amend the Agreement as provided in this Amendment in accordance with Section 11.07 of the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the promises and mutual agreements contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. Amendments to the Agreement. (a) The parenthetical reference (the "Merger Agreement") is hereby deleted from the first recital.

(b) The phrase "entry into the Merger Agreement" in the third recital is hereby amended and restated to read "entry into the Agreement and Plan of Merger (as such agreement is actually entered into by such parties, and as it may be amended from time to time, the "Merger Agreement")"

(c) The first sentence of Section 2.03(a) of the Agreement is hereby amended and restated to read as follows:

"Abbott shall pay, or cause the applicable Purchaser to pay, an aggregate purchase price for the Assets equal to the sum of: (i) an amount in cash equal to (A) $3,800,000,000 (the "Base Purchase Price") plus (B) an amount determined in accordance with the provisions of Section 2.03(c) (the "Incremental Purchase Price"), which Incremental Purchase Price shall not exceed $300,000,000 (the sum of the amounts described in clauses (A) and (B),

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the "Initial Purchase Price"), (ii) the Milestone Payments, and (iii) the Assumed Liabilities (collectively, the "Purchase Price")."

(d) The following new Section 2.03(c) shall be added to the Agreement:

"(c) The amount, if any, of the Incremental Purchase Price shall be determined as follows:

(i) if the Boston Scientific Incremental Value is equal to $1,800,000,000 or more, then the Incremental Purchase Price shall be $300,000,000; or

(ii) if the Boston Scientific Incremental Value is less than $1,800,000,000 but greater than $0, then the Incremental Purchase Price shall be an amount equal to $300,000,000 multiplied by a fraction, the numerator of which is the Boston Scientific Incremental Value and the denominator of which is $1,800,000,000.

(iii) "Boston Scientific Incremental Value" means the product of the number of shares of Company Common Stock and (on a fully diluted basis) Company Stock Options (each as defined in the Merger Agreement) outstanding immediately prior to the Merger, multiplied by the excess of (A) the sum of (i) the Cash Portion (as defined in the Merger Agreement) plus (ii) the product of the Stock Portion multiplied by the Parent Average Closing Stock Price (each as defined in the Merger Agreement) (as adjusted consistently with the proviso in clause (i) of Section 2.01(c) of the Merger Agreement) plus (iii) the Interest Portion (as defined in the Merger Agreement) over (B) $72. Boston Scientific will provide written notice to Abbott of the amount, if any, of Boston Scientific Incremental Value on the second Business Day prior to the date of the Closing. The parties agree that under no circumstances will any other adjustment or modification that Boston Scientific may make in connection with its offer to acquire Guidant, whether or not such adjustments or modifications are reflected in the Merger Agreement signed by Boston Scientific and Guidant, be included in the determination of Boston Scientific Incremental Value."

(e) Section 5.01(b) of the Agreement is hereby amended and restated to read as follows:

"(b) Boston Scientific has provided to Abbott on January 8 a draft of the Agreement and Plan of Merger proposed to be entered into between Boston Scientific and Guidant (such proposed draft, the "Proposed Merger Agreement"). The Merger Agreement, if any, will, insofar as it relates to the Business, be the same in all material respects, as the Proposed Merger Agreement."

(f) Clause (ii) of Section 5.02 of the Agreement is hereby amended by replacing the phrase "contained in the Merger Agreement" with the phrase "contained in the Proposed Merger Agreement".

(g) The first sentence of Section 5.08(k) of the Agreement is hereby amended by replacing the phrase "for a period of five years" with the phrase "for a period of eight years".

(h) The first sentence of Section 5.10(a) of the Agreement is hereby amended and restated to read as follows:

"At the Closing, Abbott will lend Boston Scientific an amount equal to (A) $700,000,000 (the "Base Loan Amount") plus (B) an amount determined in accordance with the provisions of Section 5.10(c) (the "Incremental Loan Amount"), on a subordinated basis (relative to any senior indebtedness of Boston Scientific during the term of the loan) by wire transfer of immediately available funds to a bank account designated in writing by Boston Scientific to Purchaser not fewer than three Business Days prior to the date of Closing."

(i) The fourth sentence of Section 5.10(a) of the Agreement is hereby amended and restated to read as follows:

"Interest shall accrue on the outstanding principal amount of the loan at a per annum rate of: (A) 5.25% (the "Base Interest Rate") less (B) the number of basis points determined in accordance with the provisions of Section 5.10(d) (the "Interest Rate Decrease")."

(j) The following new Section 5.10(c) shall be added to the Agreement:

"(c) The amount, if any, of the Incremental Loan Amount shall be determined as follows:

(i) if the Boston Scientific Incremental Value is equal to $1,800,000,000 or more, then the Incremental Loan Amount shall be $200,000,000; or

(ii) if the Boston Scientific Incremental Value is less than $1,800,000,000 but greater than $0, then the Incremental Loan Amount shall be an amount equal to $200,000,000 multiplied by a fraction, the numerator of which is the Boston Scientific Incremental Value and the denominator of which is $1,800,000,000."

(k) The following new Section 5.10(d) shall be added to the Agreement:

"(d) The amount, if any, of the Interest Rate Decrease shall be determined as follows:

(i) if the Boston Scientific Incremental Value is equal to $1,800,000,000 or more, then the Interest Rate Decrease shall be 125 basis points (such that the interest rate on the loan is 4.0% per annum); or

(ii) if the Boston Scientific Incremental Value is less than $1,800,000,000 but greater than $0, then the Interest Rate Decrease shall be a number of basis points equal to 125 multiplied by a fraction, the numerator of which is the Boston Scientific Incremental Value and the denominator of which is $1,800,000,000."

(l) Section 10.02(b)(i) of the Agreement is hereby amended by replacing the phrase "contained in Section 4.01 of the Merger Agreement" with the phrase "contained in Section 4.01 of the Proposed Merger Agreement".

SECTION 2. Effectiveness. This Amendment shall be effective only with respect to offers to acquire Guidant that are communicated in writing by Boston Scientific to the Board of Directors of Guidant on or before January 20, 2006.

SECTION 3. Public Announcement. The provisions contained in Section 11.03 of the Agreement are incorporated by reference in this Amendment as though they were expressly set forth herein.

SECTION 4. Representations and Warranties. (a) Boston Scientific represents and warrants to Abbott as follows: Boston Scientific is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all necessary corporate power and authority to enter into, execute and deliver this Amendment. The execution and delivery of this Amendment by Boston Scientific have been duly authorized by all requisite corporate action on the part of Boston Scientific. This Amendment has been duly executed and delivered by Boston Scientific, and, assuming due authorization, execution and delivery by Abbott, this Amendment is a legal, valid and binding obligation of Boston Scientific, enforceable against it in accordance with its terms.

(b) Abbott represents and warrants to Boston Scientific as follows: Abbott is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Illinois and has all necessary corporate power and authority to enter into, execute and deliver this Amendment. The execution and delivery of this Amendment by Abbott have been duly authorized by all requisite corporate action on the part of Abbott. This Amendment has been duly executed and delivered by Abbott, and, assuming due authorization, execution and delivery by Boston Scientific, this Amendment is a legal, valid and binding obligation of Abbott enforceable against it in accordance with its terms.

SECTION 5. Ratification of Agreement. Except as expressly provided in this Amendment, all of the terms, covenants, and other provisions of the Agreement are hereby ratified and confirmed and shall continue to be in full force and effect in accordance with their respective terms. From and after the date hereof, all references to the Agreement shall refer to the Agreement as amended by this Amendment. Capitalized terms used but not defined in this Amendment shall have the meanings assigned to them in the Agreement.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. All Actions arising out of or relating to this Amendment shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of The City of New York.

SECTION 7. Counterparts. This Amendment may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

* * * *

IN WITNESS WHEREOF, Boston Scientific and Abbott have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

BOSTON SCIENTIFIC CORPORATION

By: /s/ Lawrence C. Best
Name: Lawrence C. Best
Title: Executive Vice President, Chief Financial Officer

ABBOTT LABORATORIES

By: /s/ Richard A. Gonzalez
Name: Richard A. Gonzalez
Title: President and Chief Operating Officer, Medical Products Group

Exhibit 10.30

EXECUTION COPY

AMENDMENT NO. 2
TO
TRANSACTION AGREEMENT

THIS AMENDMENT NO. 2 TO TRANSACTION AGREEMENT (this "Amendment"), dated as of January 16, 2006, between BOSTON SCIENTIFIC CORPORATION, a Delaware corporation ("Boston Scientific"), and ABBOTT LABORATORIES, an Illinois corporation ("Abbott").

WHEREAS, Boston Scientific and Abbott are parties to that certain Transaction Agreement dated as of January 8, 2006 and amended as of January 16, 2006, pursuant to which Abbott agreed to acquire certain assets and businesses and assume certain liabilities of Guidant contingent upon Boston Scientific's acquisition of Guidant (the "Agreement"); and

WHEREAS, Boston Scientific and Abbott desire to further amend the Agreement as provided in this Amendment in accordance with Section 11.07 of the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the promises and mutual agreements contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. Amendment to the Agreement. The following new Article VI shall be added to the Agreement, with the existing Articles VI through XI and Sections within such articles being renumbered accordingly:

ARTICLE VI

SHARE PURCHASE

SECTION 6.01. Share Purchase. (a) At the Closing, Abbott shall purchase from Boston Scientific, and Boston Scientific shall issue and sell to Abbott, 56,000,000 shares of common stock, par value $0.01 per share, of Boston Scientific (the "Shares") at a purchase price of $25.00 per Share, for an aggregate purchase price of $1,400,000,000 (the "Aggregate Stock Purchase Price"); provided that if the average of the per share closing prices of Shares on the New York Stock Exchange during the five consecutive trading days ending (and including) the date that is three trading days prior to the date of the Closing is less than $25.00, Abbott shall purchase from Boston Scientific, and Boston Scientific shall issue and sell to Abbott, the number of Shares that is equal to the quotient obtained by dividing $1,400,000,000 by such average per share closing price (the per Share purchase price payable by Abbott or the applicable Purchaser under this Section 6.01(a) being, the "Stock Purchase Price"). In no event shall the number of Shares acquired by Abbott pursuant to this Section 6.01 (a) equal or exceed 5% of the number of

Shares outstanding immediately following the consummation of the Merger, and, in such event, the Aggregate Stock Purchase Price shall be adjusted accordingly.

(b) At the Closing, (i) Abbott shall pay the aggregate Stock Purchase Price by wire transfer of immediately available funds to a bank account designated in writing by Boston Scientific to Abbott not fewer than three Business Day prior to the date of the Closing, and (ii) Boston Scientific shall deliver to Abbott stock certificates evidencing the Shares having the legend described in Section 6.03.

SECTION 6.02. Sale Restrictions. (a) Neither Abbott nor any of its Affiliates shall, directly or indirectly, sell, transfer, assign or otherwise dispose of any Shares during the six-month period following the Closing; provided that if the average of the per share closing prices of Shares on the New York Stock Exchange during any consecutive twenty trading days during the six-month period following the Closing is greater than $30.00, Abbott may sell Shares in accordance with Section 6.03 during such six-month period. Neither Abbott nor any of its Affiliates shall, directly or indirectly, during any one-month period following the Closing, sell, transfer, assign or otherwise dispose of a number of Shares that is greater than 8.33% of the Shares acquired by Abbott at the Closing; provided, however., that such restrictions on the ability of Abbott or any of its Affiliates to sell, transfer, assign or otherwise dispose of Shares shall terminate on the date that is eighteen months following the date of the Closing. The provisions of this Section 6.02(a) may be amended or waived at any time in accordance with Section 12.07.

(b) Nothing in Section 6.02(a) shall prevent Abbott from selling any of its Shares in any change of control transaction involving Boston Scientific or from tendering its Shares into any tender offer for the Shares commenced by Boston Scientific or any other Person.

SECTION 6.03. Registration Rights. (a) For purposes of this Section 6.03, "Registrable Stock" means the Shares acquired by Abbott or the applicable Purchaser pursuant to Section 6.01(a) or 6.05 as to which the Registration Statement (as defined in Section 6.03(d)) has not become effective prior to the date of the Closing, and any securities issued or issuable with respect to such Shares by way of conversion, exchange, replacement, stock dividend, stock split or other distribution or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. Any Registrable Stock shall cease to be Registrable Stock when (i) a registration statement covering such Registrable Stock has been declared effective and such Registrable Stock has been disposed of pursuant to such effective registration statement, (ii) such Registrable Stock is sold by a Person in a transaction in which the rights of Abbott under this Section 6.03 are not assigned, or (iii) such Registrable Stock is sold pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the Securities Act of 1933, as amended (the "Securities Act") without registration under the Securities Act.

(b) Each certificate representing shares of Registrable Stock shall, except as otherwise provided in this Section 6.03, be stamped or otherwise imprinted with legends substantially in the following form:

(i) "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE RESTRICTIONS ON DISPOSITION OF A TRANSACTION AGREEMENT DATED AS OF JANUARY 8, 2006, AS AMENDED, BETWEEN ABBOTT LABORATORIES AND BOSTON SCIENTIFIC CORPORATION."; and

(ii) "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

Each certificate representing Shares acquired by Abbott pursuant to this Agreement and covered by the Registration Statement shall, except as otherwise provided in this Section 6.03, be stamped or otherwise imprinted with a legend substantially in the form set forth in clause (i) of this Section 6.03(b).

(c) Boston Scientific shall, at the request of Abbott, (i) remove from each certificate evidencing Shares the legend described in Section 6.03(b)(i) at such time as Abbott and its Affiliates own fewer than 8.33% of the Shares acquired by Abbott at the Closing, and (ii) remove from each certificate evidencing Registrable Stock the legend described in Section 6.03(b)(ii) if in the opinion of counsel satisfactory to Boston Scientific Registrable Stock evidenced thereby may be publicly sold without registration under the Securities Act. Boston Scientific shall reasonably cooperate with Abbott to remove the legends described in Section 6.03(b) so as to allow Abbott or its Affiliates to sell, transfer, assign or otherwise dispose of Shares as permitted by Section 6.02.

(d) Boston Scientific shall use its reasonable best efforts to file with, and have declared effective by, the Securities and Exchange Commission (the "SEC") on or prior to the date of the Closing a registration statement on Form S-3 under the Securities Act (the "Registration Statement") with respect to the issuance of the Shares issuable by Boston Scientific to Abbott pursuant to this Agreement. To the extent such issuance has not been registered pursuant to an effective Registration Statement on or prior to the date of Closing despite the use by Boston Scientific of such efforts, Boston Scientific shall, as promptly as practicable on or following the date of the Closing, file with the SEC a "shelf" registration statement on Form S-3 pursuant to Rule 415 under the Securities Act (the "Shelf Registration") with respect to the Shares issuable by Boston Scientific to Abbott pursuant to this Agreement, and thereafter shall use its reasonable best efforts to (i) have the Shelf Registration declared effective as soon as reasonably practicable thereafter, and (ii) keep the Shelf Registration continuously effective from the date such Shelf Registration is declared effective until at least the second anniversary of such effective date (the "Effectiveness Period") in order to permit the prospectus forming a

part thereof to be usable by Abbott and its Affiliates during such period. Boston Scientific shall use its reasonable best efforts to list the Shares issuable by Boston Scientific to Abbott pursuant to this Agreement on the New York Stock Exchange.

(e) Notwithstanding anything to the contrary contained herein, Boston Scientific shall have the right to defer or delay filing the Shelf Registration for a period of not more than 60 days, or suspend sales under the Shelf Registration filed hereunder or defer the updating of such filed Shelf Registration during no more than two periods aggregating not more than 60 days, in the event that Boston Scientific furnishes to Abbott a certificate signed by an authorized officer of Boston Scientific stating that, in the good faith opinion of the Board of Directors of Boston Scientific, such filing, sale or update would interfere with any material transaction then being pursued by Boston Scientific or would otherwise require disclosure of any material event that Boston Scientific would not otherwise be required to disclose; provided, however, that Boston Scientific shall extend the Effectiveness Period by the number of days, if any, during with the registration rights contemplated hereunder are subject to a deferral or suspension as set forth in this Section 6.03(e).

(f) Subject to Section 6.03(e), if Boston Scientific files a Shelf Registration pursuant to Section 6.03(d), Boston Scientific shall, as promptly as practicable:

(i) supplement or amend the Shelf Registration and the prospectus used in connection therewith (i) as required by the registration form utilized by Boston Scientific or by the instructions applicable to such registration form or by the Securities Act, and (ii) to include in such Shelf Registration any additional securities that become Registrable Stock by operation of the definition thereof;

(ii) furnish to Abbott such numbers of copies of the Shelf Registration and the prospectus included therein, including each preliminary prospectus and any amendments or supplements thereto in conformity with the requirements of the Securities Act, any exhibits filed therewith and such other documents and information as Abbott may reasonably request;

(iii) use all reasonable best efforts to register or qualify the Registrable Stock covered by the Shelf Registration under such other securities or Blue Sky Laws of such jurisdiction within the United States as shall be reasonably appropriate for the distribution of the Registrable Stock covered by the Shelf Registration; provided, however, that Boston Scientific shall not be required in connection therewith or as a condition thereto to qualify to do business in or to file a general consent to service of process in any jurisdiction wherein it would not but for the requirements of this paragraph 6.03(f)(iii) be obligated to do so; and provided further, that Boston Scientific shall not be required to qualify such Registrable Stock in any jurisdiction in which the securities regulatory authority requires that Abbott or any of its Affiliates submit any Registrable Stock to the terms, provisions and restrictions of any escrow, lockup or similar agreement(s) for consent to sell Registrable Stock in such jurisdiction unless Abbott or such Affiliate agrees to do so;

(iv) promptly notify Abbott upon becoming aware of the happening of any event as a result of which the prospectus included in such Shelf Registration, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and, at

the request of Abbott, promptly prepare and furnish to Abbott a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made. In the event Boston Scientific shall give such notice, Boston Scientific shall extend the Effectiveness Period by the number of days during the period from and including the date of the giving of such notice to the date when Boston Scientific shall make available to Abbott such supplemented or amended prospectus; and

(v) enter into customary agreements and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Stock to be so included in the Shelf Registration.

(g) It shall be a condition precedent to the obligations of Boston Scientific to take any action pursuant to this Section 6.03 that Abbott and its Affiliates shall furnish to Boston Scientific such information regarding themselves, the Registrable Stock held by them, and the intended method of disposition of such securities as Boston Scientific shall reasonably request and as shall be required in connection with the action to be taken by Boston Scientific hereunder.

(h) All expenses incurred in connection with the Registration Statement and Shelf Registration, if any, excluding underwriters' discounts and commissions, but including all registration, filing and qualification fees, word processing, duplicating, printers' and accounting fees, listing fees, messenger and delivery expenses, all fees and expenses of complying with state securities or blue sky laws, and the fees and disbursements of counsel for Boston Scientific, shall be paid by Boston Scientific. Abbott shall bear and pay the underwriting commissions and discounts applicable to Registrable Stock offered for its account and the fees and disbursements of its counsel in connection with any registrations, filings and qualifications made pursuant to this Agreement.

(i) Boston Scientific shall indemnify and hold harmless Abbott and its Affiliates, officers and directors against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based on any untrue or alleged untrue statement of any material fact contained in the Registration Statement or the Shelf Registration, as applicable, on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act, or any amendments or supplements thereto) or arise out of or are based upon the omission or

alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse Abbott and its Affiliates, officers and directors for any legal or other expenses reasonably incurred by them (but not in excess of expenses incurred in respect of one counsel for all of them) in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.03(i) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of Boston Scientific (which consent shall not be unreasonably withheld); provided, further, that Boston Scientific shall not be liable to Abbott or its Affiliates, officers or directors in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in connection with such Registration Statement, Shelf Registration, preliminary prospectus, final prospectus or amendments or supplements thereto, in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by Abbott or any of its Affiliates, officers or directors. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Abbott or any of its Affiliates, officers or directors.

(j) Abbott shall indemnify and hold harmless Boston Scientific, its Affiliates, officers and directors and each agent and any underwriter for Boston Scientific (within the meaning of the Securities Act) against any losses, claims, damages or liabilities, joint or several, to which Boston Scientific or any such Affiliate, officer, director, agent or underwriter may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or Shelf Registration, as applicable, on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act or any amendments or supplements thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in such Registration Statement, Shelf Registration, preliminary or final prospectus, or amendments or supplements thereto, in reliance upon and in conformity with written information furnished by or on behalf of Abbott or any of its Affiliates expressly for use in connection with such registration; and Abbott shall reimburse any legal or other expenses reasonably incurred by Boston Scientific or any such Affiliate, officer, director, agent or underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.03(j) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of Abbott (which consent shall not be unreasonably withheld). Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Boston Scientific or any of its Affiliates, officers or directors.

(k) Promptly after receipt by an indemnified party under Section 6.03(i) or (j), as applicable, of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under Section 6.03(i) or (j), as applicable, notify the indemnifying party in writing of the commencement thereof, and the indemnifying party shall have the right to participate in and assume the defense thereof with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party (unless (i) such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to those available to such indemnifying party, (ii) the indemnifying party and such indemnified party shall have mutually agreed to the retention of such counsel or (iii) in the reasonable opinion of such indemnified party, representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding, in which case the indemnified party shall be reimbursed by the indemnifying party for the reasonable expenses incurred in connection with retaining separate legal counsel); provided, however, that an indemnified party shall have the right to retain its own counsel, with all fees and expenses thereof to be paid by such indemnified party, and to be apprised of all progress in any proceeding the defense of which has been assumed by the indemnifying party, it being understood that the indemnifying party will control such

defense. The failure to notify an indemnifying party promptly of the commencement of any such action shall not relieve the indemnifying party from any liability in respect of such action which it may have to such indemnified party on account of the indemnity contained in Section 6.03(i) or (j), as applicable, unless (and only to the extent) the indemnifying party was prejudiced by such failure, and in no event shall such failure relieve the indemnifying party from any other liability which it may have to such indemnified party. No indemnifying party shall, without the prior written consent of the indemnified party (which consent will not be unreasonably withheld), effect any settlement, compromise or discharge of any claim or pending or threatened proceeding in respect of which the indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement, compromise or discharge includes an unconditional release of such indemnified party from all liability arising out of such claim or proceeding.

(l) To the extent any indemnification by an indemnifying party is prohibited or limited by Law, the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent

such action. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. In no event shall the liability of any indemnifying party be greater in amount than the amount for which such indemnifying party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 6.03(i) or (j) hereof had been available under the circumstances. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6.03(l) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6.03(l). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 6.04. Loan Prepayment. If, at any time during the term of the loan described in Section 5.10, Abbott or any of its Affiliates sells any Shares, then Abbott and Boston Scientific shall share in the proceeds per share (net of any underwriting discounts and commissions) (the "Net Proceeds") as follows: (a) if the Net Proceeds to Abbott or such Affiliates from any such sales are less than or equal to 110% of the Stock Purchase Price, Abbott shall retain all of such Net Proceeds, (b) if the Net Proceeds to Abbott or such Affiliates from any such sales are greater than 110% but equal to or less than 120% of the Stock Purchase Price, Abbott shall retain the portion of the Net Proceeds equal to 110% of the Stock Purchase Price, and the portion of the Net Proceeds in excess of 110% of the Stock Purchase Price (net of Taxes) shall be immediately applied by Abbott to prepay any amounts then outstanding under the loan in accordance with Section 5.10(b), and (c) if the Net Proceeds to Abbott or such Affiliates from any such sales are greater than 120% of the Stock Purchase Price, Abbott shall retain the portion of the Net Proceeds equal to 110% of the Stock Purchase Price, the portion of the Net Proceeds in excess of 110% but less than or equal to 120% of the Stock Purchase Price (net of Taxes) shall be immediately applied by Abbott to prepay any amounts then outstanding under the loan in accordance with Section 5.10(b), and, with respect to all Net Proceeds in excess of 120% of the Stock Purchase Price, 50% of such excess amount shall be retained by Abbott, and the remaining 50% (net of Taxes) shall be immediately applied by Abbott to prepay any amounts then outstanding under the loan in accordance with Section 5.10(b). Abbott shall notify Boston Scientific in writing within three Business Days of any such sales of Shares by it or any of its Affiliates, and shall include in such notice the number of Shares sold by it or such Affiliates, the selling price for such Shares, and the amount of Taxes payable by Abbott or such Affiliates with respect to such sales, and shall give a third party designated by Boston Scientific and reasonably acceptable to Abbott reasonable access to the books and records of Abbott for purposes of verifying such information.

SECTION 6.05. Interest Reimbursement. On the date that is eighteen months following the Closing Date, Boston Scientific shall issue to Abbott a number of Shares that is equal to the quotient obtained by dividing the Cost of Borrowing (as defined below) by the average of the per share closing prices of Shares on the New York Stock

Exchange during the twenty consecutive trading days ending (and including) the date that is five trading days prior to such date. For purposes of this Section 6.05, the "Cost of Borrowing" means Abbott's actual cost of borrowing incurred during the period commencing on the date of the Closing and ending on the eighteen month anniversary of the Closing of the funds used by it or the applicable Purchaser to pay the Aggregate Stock Purchase Price; provided that Boston Scientific will only be required to reimburse Abbott pursuant to this Section 6.05 with respect to any Cost of Borrowing greater than $10 million and less than or equal to $70 million; provided further that, for purposes of calculating the Cost of Borrowing, the Net Proceeds to Abbott or any of its Affiliates from sales of Shares that are retained by Abbott as described in Section 6.04 shall be deemed to have been applied by Abbott (net of Taxes) to reduce the amount of Abbott's borrowing in respect of the Aggregate Stock Purchase Price. Nothing contained in this Section 6.05 shall require Abbott to make any actual payment with respect to such borrowing. Abbott shall notify Boston Scientific in writing on a quarterly basis following the Closing of its Cost of Borrowing during the immediately preceding quarter, which Cost of Borrowing shall be subject to audit by a third party designated by Boston Scientific and reasonably acceptable to Abbott. Any Shares issued by Boston Scientific pursuant to this Section 6.05 shall bear the legend described in Section 6.03(b)(ii), which shall be removed at the request of Abbott in accordance with Section 6.03(c)(ii)."

SECTION 2. Public Announcement. The provisions contained in Section 12.03 of the Agreement are incorporated by reference in this Amendment as though they were expressly set forth herein.

SECTION 3. Representations and Warranties. (a) Boston Scientific represents and warrants to Abbott as follows:

(i) Boston Scientific is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all necessary corporate power and authority to enter into, execute and deliver this Amendment, to carry out its obligations hereunder and to

consummate the transactions contemplated hereby. The execution and delivery of this Amendment by Boston Scientific, the performance by Boston Scientific of its obligations hereunder and the consummation by Boston Scientific of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Boston Scientific. This Amendment has been duly executed and delivered by Boston Scientific, and, assuming due authorization, execution and delivery by Abbott, this Amendment is a legal, valid and binding obligation of Boston Scientific, enforceable against it in accordance with its terms.

(ii) All Shares issued pursuant to Sections 6.01 and 6.05 shall, when issued, be validly issued, fully paid and nonassessable, and shall be free and clear of any liens, claims, charges and encumbrances other than those imposed as a result of any action by Abbott or any of its Affiliates.

(b) Abbott represents and warrants to Boston Scientific as follows: Abbott is a corporation duly incorporated, validly existing and in good standing under the laws of the State

of Illinois and has all necessary corporate power and authority to enter into, execute and deliver this Amendment, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Amendment by Abbott, the performance by Abbott of its obligations hereunder and the consummation by Abbott of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Abbott. This Amendment has been duly executed and delivered by Abbott, and, assuming due authorization, execution and delivery by Boston Scientific, this Amendment is a legal, valid and binding obligation of Abbott enforceable against it in accordance with its terms.

SECTION 4. Ratification of Agreement. Except as expressly provided in this Amendment, all of the terms, covenants, and other provisions of the Agreement are hereby ratified and confirmed and shall continue to be in full force and effect in accordance with their respective terms. From and after the date hereof, all references to the Agreement shall refer to the Agreement as amended by this Amendment. Capitalized terms used but not defined in this Amendment shall have the meanings assigned to them in the Agreement.

SECTION 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. All Actions arising out of or relating to this Amendment shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of The City of New York.

SECTION 6. Counterparts. This Amendment may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

* * * *

IN WITNESS WHEREOF, Boston Scientific and Abbott have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

BOSTON SCIENTIFIC CORPORATION

By: /s/ Lawrence C. Best
Name: Lawrence C. Best
Title: Executive Vice President, Chief Financial Officer

ABBOTT LABORATORIES

By: /s/ Richard A. Gonzalez
Name: Richard A. Gonzalez
Title: President and Chief Operating Officer, Medical Products Group

Exhibit 10.31

TIME SHARING AGREEMENT

This Time Sharing Agreement (this "Agreement") is dated as of , 2005 by and between Abbott Laboratories, Inc. ("Company"), and ("Executive").

RECITALS

WHEREAS, Company owns or rightfully possesses and operates one (1) Raytheon Aircraft Company Hawker 800XP aircraft bearing United States Registration Number N700MG and manufacturer's serial number 258540, one (1) Raytheon Aircraft Company Beechcraft King Air 300 aircraft bearing United States Registration Number N400AL and manufacturer's serial number FL-428 and two (2) Gulfstream Aerospace G-IV aircraft bearing United States Registration Numbers N800AL and N900AL and manufacturer's serial numbers 1340 and 1097, respectively (individually and collectively, as the context requires, the "Aircraft");

WHEREAS, Company employs a fully qualified flight crew to operate the Aircraft; and

WHEREAS, Executive is of Abbott Laboratories, an Illinois Corporation ("Abbott") and the parent corporation of Company; and

WHEREAS, in order to protect the safety and security of Executive and maximize his/her availability to carry out his/her responsibilities, Abbott's Board of Directors has adopted a policy that generally requires Executive to travel on the Aircraft for all his/her air travel, whether on Abbott business or personal travel; and

WHEREAS, Executive desires to lease the Aircraft from time to time on a time sharing basis as defined in Sections 91.501(b)(6) and (c)(1) of the Federal Aviation Regulations ("FARs") when he/she is required under the Board's policy to fly on the Aircraft for personal travel.

NOW, THEREFORE, in consideration of the foregoing, and the other promises contained herein, the parties, intending to be legally bound hereby, agree as follows:

1. Company agrees to lease the Aircraft to Executive on a non-exclusive basis from time to time as mutually agreed between the parties pursuant to the provisions of FAR 91.501(b)(6) and (c)(1) and to provide a fully qualified flight crew for all operations conducted under this Agreement. This Agreement shall remain in effect until terminated by either party upon ten (10) days prior written notice to the other.

2. (a) Except as further limited by subparagraph 2(b) of this Agreement, Executive shall pay to Company for each flight conducted under this Agreement a lease fee ("Lease Fee") equal to the actual expenses of each specific flight as authorized by FAR Part 91.501(d) except as such amount may be further limited by subparagraph 2(b) below. Such actual expenses shall include:

(i) Fuel, oil, lubricants, and other additives;

(ii) Travel expenses of the crew, including food, lodging and ground transportation;

(iii) Hangar and tie-down costs away from the Aircraft's base of operation;

(iv) Insurance obtained for the specific flight;

(v) Landing fees, airport taxes and similar assessments;

(vi) Customs, foreign permits, and similar fees directly related to the flight;

(vii) In-flight food and beverages;

(viii) Passenger ground transportation; and

(ix) Flight planning and weather contract services.

(b) Notwithstanding the amount of the actual expenses set forth in subparagraph 2(a) of this Agreement, in no event shall Executive be obligated to pay Company a Lease Fee in excess of the greater of (x) or (y) below, where:

(x) equals the applicable subsection (i) or (ii) below:

(i) For travel between cities served by regularly scheduled first class commercial airline service, an amount equal to the published cost of the first class airfare available to the general public, which will be solicited within one business day of the date the Executive requests the specific flight, for the dates traveled multiplied by the number of persons in Executive's party for the flight; or

(ii) For travel between cities served by regularly scheduled coach or business class, but not first class commercial airline service, an amount equal to the published cost of the unrestricted coach (or, if available, business class) airfare available to the general public, which will be solicited within one business day of the date the Executive requests the specific flight, for the dates traveled multiplied by the number of persons in Executive's party for the flight; and

(y) equals the amount of income that would be imputed to Executive for the flight under the applicable Standard Industry Fare Levels as set forth in 26 C.F.R. §1.61-21(g) assuming that Executive did not pay the Lease Fee.

For purposes of the foregoing computation, if a city is not served by regularly scheduled commercial airline service, the foregoing provisions shall be applied utilizing a city selected by Company as close as reasonably practicable to the city without such service. Company's determination of the Lease Fee shall be conclusive. Prior to any proposed flight, Company shall provide Executive with an estimate of the Lease Fee for the particular flight. If Executive proceeds with the proposed flight, he/she shall be obligated to pay the Lease Fee. Executive shall also be responsible to pay, together with any Lease Fee, applicable state and federal taxes (including, without limitation, federal excise taxes). If Executive declines the proposed flight, neither Executive nor Company shall have any further obligation with respect to the proposed flight.

3. Company will pay all expenses related to the operation of the Aircraft when incurred, and will provide an invoice to Executive for the Lease Fee determined in accordance with paragraph 2 above after any flight or flights for the account of Executive. Executive shall pay Company the Lease Fee, together with applicable taxes.

4. Executive will provide Company with requests for flight time and proposed flight schedules as far in advance of any given flight as possible, and in any case, at least two (2) business days in advance of Executive's planned departure (unless Company agrees to a shorter notice in a particular case in its discretion). Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times, Executive shall provide at least the following information for each proposed flight prior to scheduled departure as required by the Company or Company's flight crew:

(a) proposed departure point;

(b) destination;

(c) date and time of flight;

(d) the number, name, and relationship to the Executive of anticipated passengers;

(e) the nature and extent of luggage and/or cargo to be carried;

(f) the date and time of return flight, if any; and

(g) any other information concerning the proposed flight that may be pertinent or required by Company or Company's flight crew.

5. Company shall have final authority over the scheduling of the Aircraft, provided, however, that Company will use reasonable efforts to accommodate Executive's requests and to avoid conflicts in scheduling. It is understood that Company shall not be obligated to retain or contract for additional flight crew or maintenance personnel or equipment in order to accommodate Executive's schedule requests.

6. Company shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition that in his or her judgment would compromise the safety of the flight.

7. Company shall ensure that for each flight conducted under this Agreement, the Aircraft will be under the command of a qualified flight crew. All flight operations by or on behalf of Executive under this Agreement shall be conducted under Part 91 of the FAR. The Company shall have and exercise exclusive operational control of the Aircraft during all phases of all flights under this Agreement, including, without limitation, all flights during which Executive, and/or his/her guests, designees, or property are on-board the Aircraft.

8. In accordance with applicable FARs, the qualified flight crew provided by Company will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. Executive specifically agrees that the flight crew, in its sole discretion, may terminate any flight,

refuse to commence any flight, or take other action that in the considered judgment of the pilot in command is necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to Executive or any other person. The parties further agree that Company shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement for any reason whatsoever.

9. Company will maintain or cause to be maintained in full force and effect throughout the term of this Agreement aircraft liability insurance in respect of the Aircraft. Such insurance shall (i) name Executive as an additional insured; (ii) contain a waiver of subrogation against Executive; (iii) shall provide that if the insurers cancel such insurance for any reason whatsoever, if the insurance is not renewed due to non-payment of premium or if there is any material change in policy terms and conditions, such cancellation, change or lapse shall not be effective as to Executive unless Executive has been provided with at least thirty (30) days prior written notice. Company will provide such additional insurance coverage as Executive shall request or require, provided, however, that the cost of such additional insurance shall be borne by Executive as set forth in paragraph 2.

10. Executive warrants that:

(a) He/she will use the Aircraft for and on account of his/her own business or personal use only, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire;

(b) He/she will refrain from incurring any mechanics or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, nor shall there be any attempt by Executive to convey, mortgage, assign, lease or

any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

(c) During the term of this Agreement, he/she will, and will cause any passengers in his/her party to, abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time sharing lessee.

11. The Company assumes and shall bear the entire risk of loss, theft, confiscation, damage to, or destruction of the Aircraft. The Company shall release, indemnify, defend and hold harmless the Executive and his/her heirs, executors and personal representatives from and against any and all losses, liabilities, claims, judgments, damages, fines, penalties, deficiencies and expenses (including, without limitation, reasonable attorneys fees and expenses) incurred or suffered by Executive on account of a claim or action made or instituted by a third person arising out of or resulting from operations of the Aircraft hereunder and/or any services provided by the Company to Executive hereunder, except to the extent attributable to the gross negligence or willful misconduct of Executive or his/her guests on the Aircraft.

12. For purposes of this Agreement, the permanent base of operation of the Aircraft shall be Waukegan, Illinois.

13. Neither this Agreement nor any party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective heirs, representatives and successors.

14. This Agreement constitutes the entire agreement of the parties with respect to the time-share of the Aircraft as set forth herein. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

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15. TRUTH IN LEASING STATEMENT

THE AIRCRAFT HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91.409(f)(3) DURING THE 12 MONTH PERIOD (OR SUCH SHORTER PERIOD AS THE AIRCRAFT HAS BEEN OPERATED BY COMPANY) PRECEDING THE DATE OF THIS LEASE.

THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91.409(f)(3) FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE.

ABBOTT LABORATORIES, INC., A DELAWARE CORPORATION, IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF ALL AIRCRAFT IDENTIFIED AND TO BE OPERATED UNDER THIS LEASE. I, THE UNDERSIGNED, , AS OF ABBOTT LABORATORIES, INC. CERTIFY THAT ABBOTT LABORATORIES, INC. IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE ADDRESS OF ABBOTT LABORATORIES, INC. IS:

2900 West Aviation Drive
Waukegan, IL 60087

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ABBOTT LABORATORIES, INC.

By: _____

Its: _____

EXECUTIVE: _____

By: _____

_____

of

Abbott Laboratories

Exhibit 12

Abbott Laboratories

Computation of Ratio of Earnings to Fixed Charges

(Unaudited)

(dollars in millions)

	2005	2004	2003	2002	2001
EARNINGS FROM CONTINUING OPERATIONS	$ 3,372	$ 3,176	$ 2,505	$ 2,547	$ 1,278
ADD (DEDUCT)					
Taxes on earnings from continuing operations	1,248	950	882	774	216
Amortization of capitalized interest, net of capitalized interest	(16)	5	11	8	(6)
Minority interest	9	11	11	18	17
EARNINGS FROM CONTINUING OPERATIONS AS ADJUSTED	$ 4,613	$ 4,142	$ 3,409	$ 3,347	$ 1,505
FIXED CHARGES					
Interest on long-term and short-term debt	241	200	188	239	307
Capitalized interest cost	29	9	5	8	22
Rental expense representative of an interest factor	64	59	59	56	46
TOTAL FIXED CHARGES	334	268	252	303	375
TOTAL ADJUSTED EARNINGS FROM CONTINUING OPERATIONS AVAILABLE FOR PAYMENT OF FIXED CHARGES	$ 4,947	$ 4,410	$ 3,661	$ 3,650	$ 1,880
RATIO OF EARNINGS FROM CONTINUING OPERATIONS TO FIXED CHARGES	14.8	16.5	14.5	12.0	5.0

NOTE: For the purpose of calculating this ratio, (i) earnings from continuing operations have been calculated by adjusting earnings from continuing operations for taxes on earnings from continuing operations; interest expense; amortization of capitalized interest, net of capitalized interest; minority interest; and the portion of rentals representative of the interest factor, (ii) Abbott considers one-third of rental expense to be the amount representing return on capital, and (iii) fixed charges comprise total interest expense, including capitalized interest and such portion of rentals.

Exhibit 21

SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of Abbott Laboratories. Abbott Laboratories is not a subsidiary of any other corporation. Where ownership of a subsidiary is less than 100% by Abbott Laboratories or an Abbott Laboratories' subsidiary, such has been noted by designating the percentage of ownership.

Domestic Subsidiaries	Incorporation
Abbott Administration Inc.	Delaware
Abbott Bioresearch Center, Inc.	Delaware
Abbott Cardiovascular Inc.	Delaware
Abbott Diabetes Care Inc.	Delaware
Abbott Diabetes Care Sales Corporation	Delaware
Abbott Equity Investments LLC	Delaware
Abbott Exchange Inc.	Delaware
Abbott Health Products, Inc.	Delaware
Abbott Home Infusion Services of New York, Inc.	New York
Abbott International LLC	Delaware
Abbott International Ltd. of Puerto Rico	Puerto Rico
Abbott Investment Holdings Corporation	Delaware
Abbott Laboratories Inc.	Delaware
Abbott Laboratories International Co.	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico

Abbott Laboratories Purchasing Company, LLC	Delaware
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Management Corporation	Delaware
Abbott Molecular Inc.	Delaware
Abbott Personnel Inc.	Delaware
Abbott Pharmaceutical Corporation	Delaware
Abbott Spine Inc.	Delaware
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal LLC	Delaware
Aspen Acquisition I, Inc.	Delaware
AVI Corp.	Delaware
BioDisplay Technologies, Inc.	Illinois
CG Nutritionals, Inc.	Delaware
CMM Transportation, Inc.	Delaware

Gene-Trak, Inc.	Delaware	
Gene-Trak Systems Industrial Diagnostics Corp.	Delaware	
i-STAT Corporation	Delaware	
i-STAT Europe, Inc.	Delaware	
IMTC Technologies, Inc.	Delaware	

Integrated Vascular Systems, Inc.	Delaware	
Knoll Pharmaceutical Company	New Jersey	
Murex Diagnostics, Inc.	Delaware	
Natural Supplement Association, Incorporated	Colorado	
North Shore Properties, Inc.	Delaware	
Perclose, Inc.	Delaware	
S&G Nutritionals, Inc.	Delaware	
Solartek Products, Inc.	Delaware	
Spine Next America Corp.	Delaware	
Swan-Myers, Incorporated	Indiana	
TAP Finance Inc.	Delaware	50%*
TAP Pharmaceuticals Inc.	Delaware	50%**
TAP Pharmaceutical Products Inc.	Delaware	50%
Tobal Products Incorporated	Illinois	
Woodside Biomedical, Inc.	Delaware	
ZonePerfect Nutrition Company	Delaware	

* TAP Finance Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.
** TAP Pharmaceutical Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

International Subsidiaries	**Country in which Organized**	
Abbott Laboratories Argentina, S.A.	Argentina	
Abbott Australasia Pty. Limited	Australia	
Abbott Laboratories Executive Superannuation Pty. Limited	Australia	
Abbott Laboratories Superannuation Pty. Limited	Australia	
Abbott Gesellschaft m.b.H.	Austria	
Abbott Bahamas Overseas Businesses Corporation	Bahamas	
Abbott Hospitals Limited	Bahamas	
Abbott Laboratories (Bangladesh) Ltd.	Bangladesh	85%
Murex Diagnostics International, Inc.	Barbados	
Abbott Belgian Pension Fund A.S.B.L.	Belgium	

Abbott S.A.	Belgium	
Abbott Ireland	Bermuda	
Abbott Biotechnology Ltd.	Bermuda	
Abbott Pharmaceuticals PR Ltd.	Bermuda	
Abbott Diagnostics International, Ltd.	Bermuda	
Abbott Laboratorios do Brasil Ltda.	Brazil	
Abbott Laboratories, Limited	Canada	
Experimental and Applied Sciences Canada Inc.	Canada	
International Murex Technologies Corporation	Canada	
i-STAT Canada Limited	Canada	
Toba Pharma Inc.	Canada	
ZonePerfect Nutrition Company	Canada	

Abbott Laboratories de Chile Limitada	Chile	
Shanghai Abbott Pharmaceutical Co., Ltd.	China	75%
Abbott Laboratories de Colombia, S.A.	Colombia	
Abbott Laboratories d.o.o.	Croatia	
Abbott Laboratories s.r.o.	Czech Republic	
Abbott Laboratories A/S	Denmark	
Abbott Laboratorios del Ecuador Cia. Ltda.	Ecuador	
Abbott Limited Egypt	Egypt	
Abbott, S.A. de C.V.	El Salvador	
Abbott OY	Finland	
Abbott France Instruments S.A.S.	France	
Abbott France S.A.S.	France	
Abbott Spine S.A.	France	
Vysis S.A.	France	
Abbott Biotechnology Deutschland GmbH	Germany	
Abbott Diagnostics GmbH	Germany	
Abbott GmbH & Co. KG	Germany	
Abbott Holding GmbH	Germany	
Abbott Management GmbH	Germany	
Abbott Vascular Instruments Deutschland GmbH	Germany	
Heidelberg Innovation GmbH	Germany	
Heidelberg Innovation GmbH & Co. BioScience Venture KG	Germany	

Abbott Laboratories (Hellas) S.A.	Greece	
Abbott Grenada Limited	Grenada	
Abbott Laboratorios, S.A.	Guatemala	
Abbott Laboratories Limited	Hong Kong	
Abbott Laboratories (Hungary) Health Products and Medical Equipment Trading and Servicing Limited Liability Company	Hungary	
Abind Healthcare Private Limited	India	
Abbott India Limited	India	58.2%
P. T. Abbott Indonesia	Indonesia	99.99%
Abbott Ireland Holdings Limited	Ireland	
Abbott Ireland Limited	Ireland	
Abbott Laboratories Vascular Enterprises Limited	Ireland	
Abbott Laboratories, Ireland, Limited	Ireland	
Abbott Products	Ireland	
Abbott Vascular Devices Ireland Limited	Ireland	
BiodivYsio Limited	Ireland	
Carotid International Systems Limited	Ireland	
Mednova Limited	Ireland	
Salviac Limited	Ireland	
Abbott AIE s.r.l.	Italy	
Abbott AVI s.r.l.	Italy	
Abbott S.p.A.	Italy	

Autonomous Employee Welfare Fund for Abbott S.p.A. Dirigenti	Italy	
Knoll-Ravizza Farmaceutici S.p.A	Italy	
Abbott West Indies Limited	Jamaica	51%
Consolidated Laboratories Limited	Jamaica	
Abbott Japan K.K.	Japan	
Abbott Japan Co., Ltd.	Japan	97%
Abbott Vascular Devices Japan Co., Ltd.	Japan	
Knoll Japan K.K.	Japan	
Tofuku Shoji K.K.	Japan	
Abbott Korea Limited	Korea	
Abbott Laboratories Baltics	Latvia	
Abbott Laboratories (Malaysia) Sdn. Bhd.	Malaysia	
Abbott Laboratories de Mexico, S.A. de C.V.	Mexico	
Abbott B.V.	Netherlands	

Abbott Biotechnology Netherlands B.V.	Netherlands	
Abbott Holdings B.V.	Netherlands	
Abbott Knoll Investments B.V.	Netherlands	
Abbott Laboratories B.V.	Netherlands	
Abbott Logistics B.V.	Netherlands	
Abbott Nederland C.V.	Netherlands	
Abbott Vascular Devices Holland B.V.	Netherlands	
EAS International B.V.	Netherlands	
IMTC Finance B.V.	Netherlands	
IMTC Holdings B.V.	Netherlands	

Knoll LLC B.V.	Netherlands	
MediSense Europe B.V.	Netherlands	
Abbott Laboratories (N.Z.) Limited	New Zealand	
EAS Asia/Pacific Limited	New Zealand	
Abbott Norge AS	Norway	
Abbott Laboratories (Pakistan) Limited	Pakistan	83.42%
Abbott Laboratories, C.A.	Panama	
Abbott Overseas, S.A.	Panama	
Abbott Laboratorios S.A.	Peru	
Abbott Laboratories (Philippines)	Philippines	
Union-Madison Realty Company, Inc.	Philippines	40%
Abbott Laboratories Poland Sp.z.o.o.	Poland	
Abbott Laboratorios, Limitada	Portugal	
Abbottfarma - Promoção de Produtos Farmaceuticos, Limitada	Portugal	
MediSense - Promoção de Produtos Farmaceuticos, Limitada	Portugal	
Premier - Promoção de Produtos Farmaceuticos, Limitada	Portugal	
Abbott Laboratories (Singapore) Private Limited	Singapore	
Abbott Manufacturing Singapore Private Limited	Singapore	
Abbott Laboratories d.o.o.	Slovenia	
Abbott Laboratories Slovakia s.r.o.	Slovenia	
Abbott Laboratories South Africa (Proprietary) Limited	South Africa	
Experimental & Applied Sciences (Pty) Ltd.	South Africa	

Knoll Pharmaceuticals South Africa Pty. Ltd.	South Africa	
Abbott Cientifica, S.A.	Spain	

Abbott Laboratories, S.A.	Spain
Bioresearch España, S.A.	Spain
Liade S.A.	Spain
MediSense Europe B.V.	Spain
Murex Diagnosticos S.A.	Spain
Abbott Scandinavia A.B.	Sweden
Abbott AG	Switzerland
Abbott Finance Company S.A.	Switzerland
Abbott Laboratories S.A.	Switzerland
Knoll AG	Switzerland
Knoll-Bioresearch S.A.	Switzerland
Abbott Laboratories Limited	Thailand
Abbott Laboratuarlari Ithalat Ihracat Ve Tecaret Limited Sirketi	Turkey
Abbott (UK) Finance Limited	United Kingdom
Abbott (UK) Holdings Limited	United Kingdom
Abbott Asia Holdings Limited	United Kingdom
Abbott Capital India Limited	United Kingdom
Abbott Diabetes Care Limited	United Kingdom
Abbott Equity Holdings Unlimited	United Kingdom
Abbott Investments Limited	United Kingdom
Abbott Laboratories Limited	United Kingdom
Abbott Laboratories Trustee Company Limited	United Kingdom

Abbott Vascular Devices (2) Limited	United Kingdom
Abbott Vascular Devices Limited	United Kingdom
Experimental and Applied Sciences UK Limited	United Kingdom
IMTC Holdings (U.K.) Limited	United Kingdom
Knoll Pharma Unlimited	United Kingdom
Knoll Pharmaceuticals Unlimited	United Kingdom
Knoll UK Investments Unlimited	United Kingdom
Knoll Unlimited	United Kingdom
MediSense Britain Limited	United Kingdom
MediSense Contract Manufacturing Unlimited	United Kingdom
Murex Biotech (UK) Limited	United Kingdom
Murex Biotech Limited	United Kingdom
TheraSense UK Limited	United Kingdom
Vysis (UK) Limited	United Kingdom

i-STAT Limited	United Kingdom
Abbott Laboratories Uruguay S.A.	Uruguay
Abbott Laboratories, C.A.	Venezuela

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in: Registration Statements Nos. 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program; 333-09071, 333-43381, 333-69547, 333-93253, 333-52768, 333-74228, 333-102178, 333-109250 and 333-124850 for the Abbott Laboratories 1996 Incentive Stock Program; 333-74220, 333-102179 and 333-124851 for the Abbott Laboratories Deferred Compensation Plan; 333-75442 and 333-109254 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan; and 33-26685, 33-50452, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257, 333-74224, 333-102180, 333-109253 and 333-124849 for the Abbott Laboratories Stock Retirement Program and Trusts; Abbott Laboratories previously filed post-effective Amendment No. 1 to Registration Statement on Form S-8 in Registration Statement No. 333-68268 for the 401(k) Plan; Registration Statement No. 333-85867 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and Abbott Laboratories previously filed Form S-3 Registration Statements Nos. 33-50253, 333-06155, 333-63481, 333-65601, 333-83647, 333-55446 and 333-109132 of our reports dated February 17, 2006, relating to financial statements and financial statement schedule of Abbott Laboratories and subsidiaries, and management's report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2005.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 17, 2006

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Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in: Registration Statements Nos. 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program; 333-09071, 333-43381, 333-69547, 333-93253, 333-52768, 333-74228, 333-102178, 333-109250 and 333-124850 for the Abbott Laboratories 1996 Incentive Stock Program; 333-74220, 333-102179 and 333-124851 for the Abbott Laboratories Deferred Compensation Plan; 333-75442 and 333-109254 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan; and 33-26685, 33-50452, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257, 333-74224, 333-102180, 333-109253 and 333-124849 for the Abbott Laboratories Stock Retirement Program and Trusts; Abbott Laboratories' previously filed post-effective Amendment No. 1 to Registration Statement on Form S-8, in Registration Statement No. 333-68268 for the 401(k) Plan, No. 333-85867 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and Abbott Laboratories' previously filed Form S-3 Registration Statements Nos. 33-50253, 333-06155, 333-63481, 333-65601, 333-83647, 333-55446 and 333-109132 of our reports dated February 3, 2006, relating to financial statements and financial statement schedule of TAP Pharmaceutical Products, Inc. appearing in this Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2005.

DELOITTE & TOUCHE LLP

Chicago, Illinois

February 17, 2006

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Exhibit 31.1

Certification of Chief Executive Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

I, Miles D. White, certify that:

1. I have reviewed this annual report on Form 10-K of Abbott Laboratories;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report;

4. Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and

5. Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ MILES D. WHITE

Miles D. White,
Chairman of the Board and
Chief Executive Officer

Date: February 21, 2006

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Exhibit 31.2

Certification of Chief Financial Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

I, Thomas C. Freyman, certify that:

1. I have reviewed this annual report on Form 10-K of Abbott Laboratories;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report;

4. Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and

5. Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ THOMAS C. FREYMAN

Thomas C. Freyman,
Executive Vice President,
Finance and Chief Financial Officer

Date: February 21, 2006

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Exhibit 32.1

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Miles D. White, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MILES D. WHITE

Miles D. White
Chairman of the Board and
Chief Executive Officer
February 21, 2006

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas C. Freyman, Executive Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS C. FREYMAN

Thomas C. Freyman
Executive Vice President,
Finance and Chief Financial Officer
February 21, 2006

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 99.1

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Financial Review and other sections of this Form 10-K contain forward-looking statements that are based on management's current expectations, estimates and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K and those listed below, may cause actual results to differ materially from current expectations, estimates, projections, forecasts and from past results.

- Competitive factors, including: (i) pricing pressures, both in the United States and abroad, primarily from managed care groups and government agencies, (ii) the development of new products by competitors having lower prices or superior performance or that are otherwise competitive with Abbott's current products, (iii) generic competition when Abbott's products lose their patent or regulatory protection, (iv) technological advances, patents and registrations obtained by competitors, and (v) business combinations among Abbott's competitors or major customers.

- Difficulties and delays inherent in the development, manufacturing, marketing, or sale of products, including: (i) uncertainties in the United States Food and Drug Administration and foreign regulatory approval processes, (ii) delays in the receipt of or the inability to obtain required approvals, (iii) efficacy or safety concerns, (iv) the suspension, revocation, or adverse amendment of the authority necessary for manufacture, marketing, or sale, (v) the imposition of additional or different regulatory requirements, such as those affecting labeling, (vi) seizure or recall of products, (vii) the failure to obtain, the imposition of limitations on the use of, or the loss of patent and other intellectual property rights, (viii) loss of regulatory exclusivity, (ix) manufacturing or distribution problems, (x) restrictions on imports or exports, (xi) problems with licensors, suppliers, distributors, and business partners, and (xii) labor disputes, strikes, slow-downs or other forms of labor or union activity.

- Governmental action including: (i) new laws, regulations and judicial and administrative decisions related to health care availability, method of delivery, or the method or amount of payment or reimbursement for health care products and services, (ii) changes in the United States Food and Drug Administration and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity, (iii) new laws, regulations, and judicial and administrative decisions affecting pricing or marketing, and costs, and (iv) changes in the tax laws, regulations, and interpretations relating to Abbott's operations, including laws related to the remittance of foreign earnings.

- Changes in economic conditions over which Abbott has no control, including changes in the rate of inflation, business conditions, interest rates, foreign currency exchange rates, market value of Abbott's equity investments, and the performance of investments held by Abbott's employee benefit trusts.

- Changes in business and political conditions, including (i) war, political instability, terrorist attacks in the U.S. and other parts of the world, the threat of future terrorist activity in the U.S. and other parts of the world and related military action, (ii) natural disasters, and (iii) the cost and availability of insurance due to any of the foregoing events.

- Changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies and opportunities existing now or in the future, such as acquisitions, restructurings, dispositions, spin-offs or split-ups, including the spin-off of Hospira, Inc.

- Changes in costs or expenses, including variations resulting from: (i) changes in product mix and changes in tax rates both in the United States and abroad, and (ii) the spin-off of Hospira, Inc.

- Changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors.

- Legal difficulties, any of which could preclude commercialization of products or adversely affect profitability, including: (i) claims asserting antitrust violations, (ii) claims asserting securities law violations, (iii) claims asserting violations of the Federal False Claims Act, Anti-Kickback Statute, or other violations in connection with Medicare and/or Medicaid reimbursement, (iv) claims asserting violations of the Prescription Drug Marketing Act, (v) derivative actions, (vi) product liability claims, (vii) disputes over intellectual property rights (including patents), (viii) environmental matters, (ix) adverse litigation decisions, (x) issues regarding compliance with any governmental consent decree, including the consent decree between Abbott and the United States Food and Drug Administration described in Abbott's 2005 Form 10-K under the caption "Regulation," and Abbott's ability to successfully return diagnostic products affected by this consent decree to market, and (xi) issues regarding compliance with any corporate integrity agreements which generally impose certain training, auditing, and reporting obligations on a company.

- Changes in accounting standards and interpretations thereof promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission or the American Institute of Certified Public Accountants.

No assurance can be made that any expectation, estimate or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.
