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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, 2003 **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 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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes X No___

The aggregate market value of the 1,467,386,870 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, 2003), was approximately $64,212,849,400. Abbott has no non-voting common equity.

Number of common shares outstanding as of January 31, 2004: 1,563,582,747.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2004 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 9, 2004.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

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

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

Incorporated herein by reference is Note 7 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 five reportable revenue segments: Pharmaceutical Products, Diagnostic Products, Hospital Products, Ross Products, and International. Abbott also has a 50 percent owned joint venture, TAP Pharmaceutical Products Inc.

In August 2003, Abbott announced a plan to create a separate publicly traded company for its existing core hospital products business. The new company, Hospira, Inc., will own the worldwide core hospital products business historically conducted by Abbott including: medication delivery systems, such as electronic drug delivery systems and infusion therapy, and critical care devices; specialty injectable pharmaceuticals, including generic and proprietary products; and injectable pharmaceutical contract manufacturing. Hospira will include most of Abbott's Hospital Products segment and portions of Abbott's International segment. Abbott will retain all of its other pharmaceutical, diagnostic, and nutritionals businesses. In addition, Abbott is retaining the following businesses that have historically been part of Abbott's hospital products business: hospital operating room pharmaceuticals, proprietary hospital pharmaceuticals, pain management products, vascular devices and the orthopedic devices business. Hospira is expected to be spun off in the first half of 2004, pending final approval of the transaction by the Abbott Board of Directors. All of the shares of Hospira common stock will be distributed to Abbott shareholders on a pro rata basis.

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;
- the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin® and Omnicef®, an oral cephalosporin antibiotic;
- TriCor®, for the treatment of elevated triglycerides;
- Synthroid®, for the treatment of hypothyroidism;
- Mavik® and Tarka®, for the treatment of hypertension;

* 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.

- Meridia®, for the treatment of obesity;
- the anti-virals Kaletra® and Norvir®, protease inhibitors for the treatment of HIV infection; and
- Humira® for the treatment of rheumatoid arthritis.

In addition, through an agreement with Boehringer Ingelheim, the Pharmaceutical Products segment co-promotes and distributes Flomax® for the treatment of benign prostatic hyperplasia, Micardis® for the treatment of hypertension, and Mobic® for the treatment of arthritis.

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 purchasers (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, and 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, alternate-care testing sites and consumers. In the first quarter of 2004, Abbott acquired i-STAT Corporation, a leading manufacturer of point-of-care diagnostic systems for blood analysis. On January 13, 2004, Abbott and TheraSense, Inc. announced that the companies had entered into an agreement and plan of merger for Abbott to acquire all of the capital stock of TheraSense. TheraSense develops, manufactures and markets FreeStyle® blood glucose self-monitoring systems, and is a leader in

developing systems that feature a very small sample size, rapid test results and less painful testing. The acquisition is subject to approval by regulatory agencies, satisfaction of customary closing conditions and approval by holders of a majority of TheraSense common stock.

The principal products included in the Diagnostic Products segment are:

- systems and reagents used to perform immunoassay tests, including Architect®, AxSYM®, IMx®, Abbott Quantum™, Commander®, Abbott PRISM®, TDx®, and TDxFlx®;
- screening and diagnostic tests for hepatitis B, HTLV-I/II, hepatitis B core, and hepatitis C;
- tests for detection of HIV antibodies and antigens, and other infectious disease detection systems, including Determine®;
- tests for determining levels of abused drugs;
- physiological diagnostic tests;
- cancer monitoring tests, including tests for prostate specific antigen (PSA);
- therapeutic drug monitoring tests;
- fertility and pregnancy tests;
- the Murex® line of microtiter-based immunoassay test kits;

- the Vysis® product line of genomic-based tests, including the PathVysion® HER-2 DNA probe kit and the UroVysion™ bladder cancer recurrence kit;
- clinical chemistry systems such as Architect® c8000®, Abbott Spectrum®, and Aeroset®;
- a full line of hematology systems and reagents known as the Cell-Dyn® series; and
- the MediSense® product line of blood glucose monitoring meters, test strips, data management software and accessories for people with diabetes, including Precision Xtra™, MediSense Optium™, Sof-Tact® (marketed in Europe as Soft-Sense®), Precision Q.I.D.®, MediSense II™, True Measure® strips, Precision Link® Direct, and Precision® Sure-Dose insulin syringes.

In addition, under its strategic alliance with Celera Diagnostics, a joint venture between the Applied Biosystems Group and 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 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 benefitted 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. These restrictions are discussed in the section captioned "Regulation" on pages 8, 9 and 10.

Hospital Products

The Hospital Products segment's products include acute care injectable drugs and systems, intravenous and irrigation solutions and electronic drug delivery systems, anesthesia, pain management, renal care, cardiovascular drugs and devices, and spinal fixation products. In the third quarter of 2003, Abbott acquired Integrated Vascular Systems, Inc., a developer of a novel vessel closure technology. In the second quarter of 2003, Abbott acquired Spinal Concepts, Inc., a marketer of spinal fixation products used in the treatment of spinal disorders. In the second quarter of 2003, Abbott also acquired the assets of JOMED N.V.'s coronary and peripheral interventional business line.

The principal products included in the Hospital Products segment are:

- acute care injectable drugs and systems, including: (i) hospital injectables, such as Carpuject®, Corlopam®, and FirstChoice® generics, (ii) premixed intravenous drugs in various containers, and (iii) the ADD-Vantage® system;
- intravenous and irrigation solutions and electronic drug delivery systems, including: (i) the Nutrimix® nutritional delivery system, (ii) intravenous solutions and related administration equipment sold as the LifeCare® line of products, (iii) irrigation solutions, (iv) LifeShield™ needleless products, (v) Venoset® products, (vi) parenteral nutritionals such as Aminosyn® and Liposyn®, (vii) Plum®, Omni-Flow®, GemStar®, and Abbott AIM® electronic drug delivery systems,

(viii) patient-controlled analgesia systems, and (ix) Transpac® monitors and Opticath® and OptiQ™ advanced sensor catheters for hemodynamic monitoring;

- anesthesia, including: (i) anesthetics, such as Pentothal®, Amidate®, Ultane®, isoflurane, enflurane and neuromuscular blockers, and (ii) Precedex® for sedation;

- pain management, including products for pain, anxiety, and nausea associated with surgery;

- renal care, including Calcijex® and Zemplar®, injectable agents for treatment of bone disease in hemodialysis patients;

- cardiovascular drugs and devices, including: (i) Abbokinase®, a thrombolytic drug, (ii) coronary stents, (iii) Perclose A-T™ and Chito-Seal™ vessel closure products, and (iv) peripheral wires, catheters, and other specialty cardiac products; and

- spinal fixation products including, Spinal Concepts Infix®, BacFix®, Pathfinder™, and Insight™ spinal orthopedic products.

The Hospital Products segment's principal products also include venipuncture products and Faultless® rubber sundry products.

The Hospital Products segment markets its products primarily in the United States. This segment's products are generally distributed from Abbott-owned distribution centers and public warehouses to wholesalers and directly to hospitals, integrated delivery networks, and other alternate site locations where patient care is delivered. The Hospital Products segment also develops and manufactures injectable pharmaceuticals for other companies.

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

Ross Products

The Ross Products segment's products include a broad line of pediatric and adult nutritionals. These products are sold primarily on the recommendation of physicians or other health care professionals. The Ross Products segment also includes specialty pharmaceuticals. In the third quarter of 2003, Abbott acquired ZonePerfect Nutrition Company, a marketer of healthy and nutritious products for active people.

Principal products in the Ross Products segment include:

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

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

- the pharmaceutical product, Survanta®; and

- ZonePerfect® bars.

In addition, the Ross Products segment co-promotes Synagis®, for prevention of respiratory syncytial virus, under an agreement with MedImmune Inc., Xopenex®, for the treatment of respiratory disorders, under an agreement with Sepracor Inc., and Oxandrin®, for the promotion of anabolic activity (weight gain), under an agreement with Savient Pharmaceuticals, Inc.

The Ross Products segment markets its products in the United States and generally sells nutritional products directly to retailers, wholesalers, health care facilities, and government agencies. In most cases, these products are distributed from Abbott-owned distribution centers or public warehouses. 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, nutritional products are also promoted through direct to consumer marketing efforts. Similac®Advance®, PediaSure®, Pedialyte®, Ensure®, and Glucerna® 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. In most cases, they are distributed from Abbott-owned distribution centers or public warehouses. 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 hospital, 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 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;
- Synthroid® for the treatment of hypothyroidism;
- Humira® for the treatment of rheumatoid 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 Goptin®), Isoptin® and Tarka® for the treatment of hypertension, Hytrin® (also marketed as Hitrin® and Flotrin®) 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™ and Reductal™) for the treatment of obesity;

- various forms of infant formulas and follow-on formulas, including Similac®Advance®, Gain®, and Abbott Grow®;
- various adult medical nutritionals, including Ensure®, Glucerna®, and Jevity®;
- a broad line of hospital products, including the anesthesia products sevoflurane (sold outside of the United States primarily under the trademark Sevorane® and in a few other markets as Ultane®), isoflurane and enflurane;
- specialty injectables such as Calcijex® and Survanta®; and
- electronic drug delivery systems sold in select international markets.

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. The International segment's hospital products are generally distributed to wholesalers and directly to hospitals from distribution centers maintained by Abbott.

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

TAP Pharmaceutical Products Inc.

Under an agreement between Abbott and Takeda Chemical Industries, Ltd. 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 and 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 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.

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 7. These, and various patents which expire during the period 2004 to 2023, 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 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. In addition, the patents, licenses, and trademarks related to adalimumab (which is sold under the trademark Humira®) may become material. The original United States compound patent covering clarithromycin is licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan, and will expire in 2005. The original United States compound patents covering divalproex sodium will expire in 2008. The original United States compound patent covering lansoprazole is licensed by TAP from Takeda and will expire in 2009. The original United States compound patents covering adalimumab will expire in 2016. The original United States compound patent covering lopinavir will expire in 2015. The original United States compound patents covering ritonavir will expire in 2013 and 2014. The original United States composition patent covering lopinavir/ritonavir will expire in 2016. Litigation involving Abbott's patents covering divalproex sodium is discussed in Legal Proceedings on pages 12 and 13.

Although the expiration of a compound patent may lead to increased competition, in most cases Abbott owns or has a license to other patents that expire after the original compound patent related to particular formulations, uses, or processes for manufacturing the pharmaceutical. These other 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 original compound 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. No single customer accounted for sales equaling

10 percent or more of Abbott's consolidated net sales. 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 $1,733,472,000 in 2003, $1,561,792,000 in 2002, and $1,577,552,000 in 2001 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 2003 were approximately $17 million and $65 million, respectively. Capital and operating expenditures for pollution control are estimated to approximate $5 million and $70.7 million, respectively, in 2004.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at 13 locations in the United States including Puerto Rico under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. The aggregate costs of remediation at these sites by all identified parties are uncertain but have been subject to widely ranging estimates totaling as much as several hundred million dollars. In many cases, Abbott believes that the actual costs will be lower than these estimates, and the fraction for which Abbott may be responsible is anticipated to be considerably less and will be paid out over a number of years. Abbott may participate in the investigation or cleanup at these sites. Abbott is also voluntarily investigating potential contamination at two Abbott-owned sites, and is engaged in remediation at six other sites, in cooperation with the Environmental Protection Agency (EPA) or similar agencies.

While it is not feasible to predict with certainty the costs related to the previously described investigations and cleanup 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 results of operations.

Employees

Abbott employed approximately 72,200 persons as of December 31, 2003.

Regulation

In December 2003, after an inspection, FDA concluded that Abbott's Lake County, Illinois manufacturing operations for diagnostic products currently marketed in the United States were in substantial conformity with the FDA's Quality System Regulation. Abbott has started the process of reintroducing products that were removed from the market in 2000 as a result of a consent decree and of introducing new diagnostics products manufactured in Lake County, Illinois. Upon the FDA's review, product introductions will resume on a rolling basis. The consent decree was entered on November 4, 1999, in the United States District

Court for the Northern District of Illinois, and settled issues with the United States government involving alleged noncompliance with the FDA's Quality System Regulation at Abbott's diagnostics manufacturing operations in Lake County, Illinois. The consent decree does not represent an admission by Abbott of any violation of the Federal Food, Drug and Cosmetic Act or its regulations. The decree, which has been amended from time to time, requires Abbott to ensure its diagnostics manufacturing processes in Lake County, Illinois conform with the FDA's Quality System Regulation. It allows for the continued manufacture and distribution of medically necessary diagnostic products made in Lake County, Illinois, such as certain assays for hepatitis, retrovirus, cardiovascular disease, cancer, thyroid

disorders, fertility, drug monitoring, and congenital and respiratory conditions. The consent decree allows Abbott to export diagnostic products and components for sale and distribution outside the United States if they meet the export requirements of the Federal Food, Drug and Cosmetic Act. The consent decree does not affect Abbott's MediSense, i-STAT, hematology, Murex or Vysis products; the clinical chemistry products Abbott Spectrum® and Aeroset®; or any other Abbott divisions or their products.

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.

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 2004, a prescription drug benefit was added to the Medicare program providing eligible individuals with greater access to prescription drugs. While the overall impact on Abbott of this added benefit is unclear at this time, it is expected to be neutral, with any increase in volume likely to be offset by Federal and state governments' efforts to manage the costs of Medicare and Medicaid programs. 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. Manufacturers must pay certain statutorily-prescribed rebates on Medicaid purchases for reimbursement on prescription drugs under state Medicaid plans and some 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, and Public Health Service entities and institutions.

In the United States, governmental cost-containment efforts have extended to the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). All states participate in WIC and have sought and obtained rebates from manufacturers of infant formula whose products are used in the program. All states have conducted competitive bidding for infant formula contracts which require the use of specific infant formula products by the state WIC program, unless a physician requests a non-contract formula for a WIC client. States participating in WIC are required to engage in competitive bidding or to use any other cost containment measure that yields savings equal to or greater than the savings generated by a competitive bidding system.

Governmental regulatory agencies require prescription drug and medical device manufacturers to pay fees. The FDA imposes substantial fees on prescription drug manufacturers, including fees related to the submission of marketing applications. In addition, the FDA requires application fees for medical device products.

Abbott expects debate to continue during 2004 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 medical products and services.

International operations are also subject to a significant degree of government regulation, including for example, international standards (such as those set by the International Organization for Standards), European Union Directives, and other country-specific rules and regulations. Many countries, directly or indirectly, through reimbursement limitations, control the selling price of most health care products. Furthermore, many developing countries limit the importation of raw materials and finished products. International regulations also have an impact on United States regulations.

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

It is not possible to predict the extent to which 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, and nominations and governance 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. 383, AP6D2, Abbott Park, Illinois 60064-6400, attn. Investor Relations.

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, 2003, are listed below.

Location	Reportable Segments of Products Produced
Abbott Park, Illinois	Pharmaceutical Products, Diagnostic Products, and Hospital Products
Abingdon, England*	Diagnostic Products
Altavista, Virginia	Ross Products
Ashland, Ohio	Hospital Products
Austin, Texas	Hospital Products
Barceloneta, Puerto Rico	Pharmaceutical Products and Diagnostic Products
Bedford, Massachusetts*	Diagnostic Products
Brockville, Canada	International
Campoverde, Italy	International
Casa Grande, Arizona	Ross Products
Columbus, Ohio	Ross Products
Dartford, England	Diagnostic Products
Delkenheim, Germany	Diagnostic Products
Granada, Spain	International
Haina*, San Cristobal, Dominican Republic	Hospital Products and Ross Products
Jayuya, Puerto Rico	Pharmaceutical Products
Irving, Texas	Diagnostic Products
Karachi, Pakistan	International
Katsuyama, Japan	International
Liscate, Italy	International
Ludwigshafen, Germany	International
Matsudo, Japan	International
McPherson, Kansas	Hospital Products
Mexico City, Mexico	International
Montreal, Canada	International
Morgan Hill, California	Hospital Products
North Chicago, Illinois	Pharmaceutical Products and Hospital Products
Queenborough, England	International
Redwood City, California*	Hospital Products
Rio de Janeiro, Brazil	International
Rocky Mount, North Carolina	Hospital Products
Salt Lake City, Utah	Hospital Products
San Jose, Costa Rica	Hospital Products
Santa Clara, California	Diagnostic Products
Sligo/Donegal/Cootehill/Finisklin, Ireland	Diagnostic Products and International
Sturgis, Michigan	Ross Products
St. Remy, France	International
Whippany, New Jersey	Pharmaceutical Products
Worcester, Massachusetts*	Pharmaceutical Products
Zwolle, The Netherlands	International

* Leased property

In addition to the above, Abbott has manufacturing facilities in 6 other locations in the United States, including Puerto Rico. Outside the United States manufacturing facilities are located in 9 other countries. Abbott's facilities are deemed suitable, provide adequate productive capacity, and generally are utilized at normal and acceptable levels.

In the United States, including Puerto Rico, Abbott owns 15 distribution centers. Abbott also has 18 United States research and development facilities located at: Abbott Park, Illinois; Ashland, Ohio; Austin, Texas; Bedford, Massachusetts; Columbus, Ohio (two locations); Downers Grove, Illinois; Irving, Texas; Long

Grove, Illinois; McPherson, Kansas; Morgan Hill, California; North Chicago, Illinois; Parsippany, New Jersey; Redwood City, California; San Diego, California; Santa Clara, California; Sunnyvale, California; and Worcester, Massachusetts. Outside the United States, Abbott has research and development facilities in Argentina, 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, 2004) those described below.

In 2001, the United States District Court for the Northern District of Illinois dismissed the shareholder derivative suits filed in 1999 against Abbott's directors as of November 1999 and certain other former directors in connection with Abbott's consent decree with the FDA regarding Abbott's diagnostic manufacturing operations in Lake County, Illinois. The suits had been consolidated as *In re: Abbott Laboratories Derivative Shareholder Litigation*. The plaintiffs alleged that the directors breached their duty of care by failing to prevent Abbott's alleged regulatory noncompliance and sought unspecified damages from the directors. Plaintiffs appealed to the United States Court of Appeals for the Seventh Circuit. In March 2003, the Seventh Circuit reversed the District Court's dismissal. The case has been remanded and discovery is proceeding.

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. All of the federal cases were pending in the United States District Court for the Northern District of Illinois under the Multidistrict Litigation Rules as *In re: Brand Name Prescription Drug Antitrust Litigation, MDL 997.* The court previously remanded the Sherman Act claims to their courts of original jurisdiction, and those claims were consolidated in the Eastern District of New York. One of the cases, *Fullerton Drugs,* is pending in the Northern District of Illinois. The remaining claims, including the Robinson-Patman Act claims, have been transferred to the Eastern District of New York. Abbott has filed a response to each of the complaints denying all substantive allegations. Abbott has settled with *Rite Aid*, one of the two remaining plaintiff groups in the Eastern District of New York. An investigation is also being conducted into the same allegations by the Illinois Attorney General.

Three cases are pending in which Abbott seeks to protect its patents for divalproex sodium (a drug that Abbott sells under the trademark Depakote®). In two of the cases, the United States District Court for the Northern District of Illinois granted Abbott's motions for summary judgment against TorPharm, a division of Apotex, Inc., ("TorPharm") and Alra Laboratories, Inc. ("Alra"), finding that TorPharm and Alra's proposed products infringed Abbott's patents. TorPharm and Alra appealed these decisions to the

Federal Circuit Court of Appeals. In August 2002, the Court of Appeals affirmed, in part, and reversed, in part, the lower court's decision in TorPharm, and remanded the issue of infringement to the lower court. In March 2003, the Court of Appeals issued an order in Alra providing that the appeal would not be resolved on the merits and remanding the case to the lower court for a determination as to whether the lower court's judgment should stand or be vacated. The third case was brought in May 2003 against Andrx Corporation, Andrx Pharmaceuticals, Inc., and Andrx Pharmaceuticals, LLC ("Andrx") in the United States District Court for the Southern District of Florida after Andrx submitted a Section 505(b)(2) NDA for a product described as sodium valproate tablets. That case was consolidated with a case Abbott filed in April 2000 against the same parties. The parties have agreed to dismiss the earlier case.

A number of antitrust cases were pending in federal court (including a case filed by the Attorneys General of the States of Colorado, Florida and Kansas) and various state courts in connection with the settlement of patent litigation by Abbott involving terazosin hydrochloride, a drug sold by Abbott under the trademark Hytrin®. These cases (which were brought against Abbott, Geneva Pharmaceuticals, Inc. and Zenith Goldline Pharmaceuticals, Inc.) seek actual damages, treble damages, and other relief and allege Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws. The federal court cases are pending in the United States District Court for the Southern District of Florida under the Multidistrict Litigation Rules as *In re: Terazosin Hydrochloride, MDL No. 1317.* Cases are also pending in six state courts. Two of the state court cases, *Asher and New Utrecht Pharmacy* and *Lisanti* (both filed in 1999 in the Supreme Court of the State of New York, County of New York), were consolidated and are stayed pending the resolution of *MDL No. 1317*. The other state cases are: *State of West Virginia*, filed in October 2001 in the Circuit Court in Wyoming County, West Virginia; *Daniels*, filed in May 2000 in Superior Court in Orange County, California (stayed pending resolution of *MDL No. 1317); Hopper*, filed in October 2001 in the Superior Court in Pitt County, North Carolina; and *Blue Cross/Blue Shield of Minnesota et al. v. Abbott Laboratories, et al.*, filed in August 2003 in the Circuit Court of Cook County, Illinois. Abbott has filed or intends to file a response to each complaint denying all substantive allegations. The state of New York, Office of the Attorney General, is conducting an investigation into this matter.

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. These cases brought by private plaintiffs and State Attorneys General generally seek damages, treble damages, disgorgement of profits, restitution and attorneys' fees. The federal court cases have been consolidated in the United States District Court in Massachusetts under the Multidistrict Litigation Rules as *In re: Pharmaceutical Industry Average Wholesale Price Litigation, MDL 1456.* The following two previously reported cases have now been transferred to *MDL 1456*: *International Union of Operating Engineers Local No. 68 Welfare Fund* and *County of Rockland, New York*. Cases are also pending in five state courts: *Swanston*, filed in March 2002 in the Superior Court for the State of Arizona, Maricopa County; *State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General*, filed in October 2001 in the Circuit Court of the State of West Virginia, Kanawha County; *Peralta, a minor by and through his Guardian ad Litem, Filamena Iberia*, filed in October 2001 in the Superior Court for the State of California, Los Angeles County; *State of Nevada*, filed in January 2002 in the Second Judicial District Court in Washoe County, Nevada; and *Commonwealth of Kentucky ex rel. Albert B. Chandler III, Attorney General*, filed in September 2003 in the Circuit Court of Franklin County, Kentucky. 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, Illinois and Texas 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.

A number of cases have been brought against TAP Pharmaceutical Products Inc., Abbott and Takeda Chemical Industries, Ltd. in various courts that generally allege that TAP reported false pricing information in connection with Lupron®, a product reimbursable under Medicare. The previously reported federal court cases have been consolidated in the United States District Court in Massachusetts under the Multidistrict Litigation Rules as *In re: Lupron® Marketing and Sales Practices Litigation, MDL 1430*, and include (a) a Consolidated Class Action Complaint brought on behalf of all persons or entities who paid for Lupron® at a price calculated by reference to the published Average Wholesale Price from January 1, 1991 through the present, (b) *Empire Healthchoice, Inc., et al., v. TAP Pharmaceutical Products, Inc., Abbott Laboratories and Takeda Chemical Industries, Ltd.*, filed in June 2002 in the United States District Court in Massachusetts, and (c) *Cobalt Corporation v. Abbott Laboratories Inc., Takeda Chemical Industries Ltd. and TAP Pharmaceutical Products Inc.*, filed in August 2002 in the United States District Court in Massachusetts.

Cases are also pending in various state courts, and have been brought as purported class actions or representative actions on behalf of individuals and/or insurance plans that paid any portion of the twenty percent co-payment cost under Medicare for Lupron® based on the published Average Wholesale Price (or, in some instances, any portion of the cost for Lupron®) and seek treble damages, and other relief. The cases allege that TAP reported false pricing information in connection with Lupron®. The state cases are: *Campbell-Hubbard*, filed in June 2001 in the Superior Court for San Francisco County, California; *Clark*, filed in July 2001 in the Circuit Court of the First Judicial District, Williamson County, Illinois; *Walker*, filed in October 2001 in the Superior Court of New Jersey, Cape May County; *Farris*, filed in December 2001 in the Superior Court for San Francisco, California; *Stetser*, filed in December 2001 in the Superior Court, New Hanover County, North Carolina; *Benoit*, filed in February 2002 in the District Court of Jefferson County, Texas; and *Grass*, filed in September 2002 in the District Court of Jefferson County, Texas. Nationwide classes have been certified in the *Clark* and *Stetser* cases. A New Jersey state class has been certified in the *Walker* case. Abbott and TAP have filed or intend to file a response in each case denying all substantive allegations.

A consolidated shareholder derivative complaint is pending in state court in the Circuit Court of Cook County, Illinois relating to the TAP settlement. The complaint includes the following cases: *Zimmerman* (filed October 4, 2001); *Thierman* (filed October 4, 2001); and *Raftery* (filed October 17, 2001). The case names Abbott's Board of Directors as of October 2001 as defendants and alleges the defendants breached their fiduciary duties by failing to take action to prevent improper marketing and pricing practices at TAP. The plaintiffs request damages, a return of salaries, reimbursement of their legal fees and costs, and various forms of other relief from these directors on behalf of Abbott. The case has been stayed.

Five cases are pending in which Abbott seeks to protect its patents for fenofibrate (a drug Abbott sells under the trademark TriCor®). Cases are pending against the following companies: Teva Pharmaceutical Industries, in the United States District Court in Delaware; IMPAX Laboratories, in the United States District Court in Delaware; Par Pharmaceuticals, in the United States District Court in New Jersey; Ranbaxy Laboratories, in the United States District Court in New Jersey; and Cipher Pharmaceuticals, in the United States District Court in Puerto Rico. Each of the lawsuits involve patents covering Abbott's tablet product.

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 promoted OxyContin to certain specialty physicians, including surgeons and anesthesiologists under a co-promotion agreement with Purdue Pharma. Purdue Pharma is a defendant in each lawsuit and, pursuant to the co-promotion agreement, Purdue is required to indemnify Abbott in each lawsuit. 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, 2003, there are a total of 306 lawsuits pending in which Abbott is a party. 51 cases are pending in federal court; 255 cases are pending in state court. 281

cases are brought by individual plaintiffs, and 25 cases are brought as purported class action lawsuits. One case has been brought by the Attorney General for the state of West Virginia. A class of Ohio plaintiffs was certified in the case *Howland v. Purdue Pharma, L.P. et al.*, Butler County Court of Common Pleas. The Ohio Court of Appeals affirmed certification. Abbott and Purdue have appealed this decision to the Ohio Supreme Court.

The U.S. Attorney's Office in the Southern District of Illinois is conducting an industry-wide investigation of the enteral nutritional business. In 2003, Abbott reached a settlement with the Department of Justice, each of the 50 states and the District of Columbia resolving all outstanding allegations by the government. On October 27, 2003, the U.S. District Court for the Southern District of Illinois imposed the terms of the settlement. As part of the settlement, Abbott entered into a Corporate Integrity Agreement with the Office of Inspector General for the U.S. Department of Health and Human Services. Abbott has paid the settlement amount of approximately $614 million.

On June 27, 2003, Robert Corwin filed a shareholder derivative action in the Circuit Court of Cook County, Illinois, against Abbott's current directors. The suit was filed in connection with the resolution of the enteral nutritional investigation. The suit alleges that the directors breached their fiduciary duties in failing to stop the alleged improper business practices in the enteral nutritional business. In August 2003, two additional shareholder derivative actions were filed by Adele Brody and Ted Gordon, that contained similar allegations and were filed in the Circuit Court of Cook County, Illinois. All three actions have been consolidated and are pending in the Circuit Court of Cook County, Illinois. In January 2004, Dennis MacCoumber filed an additional shareholder derivative action related to the enteral nutritional settlement in the United States District Court for the Northern District of Illinois. The suits seek compensatory damages, return of salaries, attorneys fees and other forms of relief. Abbott and the directors deny all substantive allegations and intend to move to dismiss the cases.

Abbott is a defendant in a number of lawsuits involving the drug sibutramine (sold under the trademark Meridia®) 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. As of December 31, 2003, 115 lawsuits were pending in which Abbott is a party. 107 cases are being or have been transferred to the United States District Court for the Southern District of Ohio and are captioned, *In Re Meridia MDL No. 1481*. One case is pending in Canada: *Mandel, et al. v. Abbott*, filed in June 2002 in the Ontario Superior Court of Justice, Toronto, Canada. In November 2003, *Casartelli v. Abbott, et al.*, filed in June 2003 in the Civil Court of Monza, Italy, was dismissed for lack of jurisdiction. Six cases are pending in state court: *Barley*, filed in October 2002, pending in the Circuit Court of Jefferson County, Alabama; *Killinger*, filed in November 2002 in the Circuit Court in Lake County, Illinois; *Mosbah*, filed in July 2003 in the Circuit Court, Cook County, Illinois; *Olinger*, filed in January 2003, in the Circuit Court, Madison County, Illinois; *Titus*, filed in October 2002 in the District Court of Nueces County, Texas; and *Watson*, filed in July 2002 in the District Court, Parish of East Baron Rouge, Louisiana. In July 2003, the Illinois Supreme Court ordered the consolidation of *Olinger and Mosbah* with *Killinger*. All three cases are now pending in the Circuit Court in Lake County, Illinois. One of the previously reported state court cases, *Bracero*, was dismissed in November 2003.

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, and their ages as of February 24, 2004, are listed below. The officers' principal occupations and employment from January 1999 to February 24, 2004 and the dates of their first election as officers of Abbott 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*, 48

1999 to present — Chairman of the Board and Chief Executive Officer, and Director.

1999 — Executive Vice President and Director.

Elected Corporate Officer — 1993.

Richard A. Gonzalez*, 50

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

2000 to 2001 — Executive Vice President, Medical Products.

1999 to 2000 — Senior Vice President, Hospital Products.

Elected Corporate Officer — 1995.

Jeffrey M. Leiden*, 48

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

2000 to 2001 — Executive Vice President, Pharmaceuticals and Chief Scientific Officer, and Director.

2000 — Senior Vice President, Chief Scientific Officer and Director.

1999 to 2000 — Elkan R. Blout Professor of Biological Sciences, Harvard School of Public Health and Professor of Medicine, Harvard Medical School.

1999 — Frederick H. Rawson Professor of Medicine and Pathology and Chief of the Section of Cardiology, University of Chicago.

Elected Corporate Officer — 2000.

Richard W. Ashley*, 60

2004 to present — Executive Vice President, Corporate Development.

1999 to 2003 — Senior Director, McKinsey and Company (a management consulting firm).

Elected Corporate Officer — 2004.

Jose M. de Lasa*, 62

2004 to present — Executive Vice President and General Counsel.

2003 to 2004 — Senior Vice President and General Counsel.

1999 to 2003 — Senior Vice President, Secretary and General Counsel.

Elected Corporate Officer — 1994.

Thomas C. Freyman*, 49

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

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

1999 to 2001 — Vice President, Hospital Products Controller.

1999 — Vice President and Treasurer.

Elected Corporate Officer — 1991.

Christopher B. Begley*, 51

2000 to present — Senior Vice President, Hospital Products.

1999 to 2000 — Senior Vice President, Chemical and Agricultural Products.

1999 — Vice President, Abbott HealthSystems.

Elected Corporate Officer — 1993.

William G. Dempsey*, 52

2003 to present — Senior Vice President, Pharmaceutical Operations.

1999 to 2003 — Senior Vice President, International Operations.

1999 — Senior Vice President, Chemical and Agricultural Products.

Elected Corporate Officer — 1996.

Guillermo A. Herrera*, 50

2003 to present — Senior Vice President, International Operations.

2001 to 2003 — Vice President, European Operations.

1999 to 2001 — Vice President, Latin America and Canada Operations.

Elected Corporate Officer — 1996.

Gary E. McCullough*, 45

2003 to present — Senior Vice President, Ross Products.

2000 to 2003 — Senior Vice President—Americas, Wm. Wrigley Jr. Company (a manufacturer and marketer of quality confectionery products, primarily chewing gum).

1999 to 2000 — General Manager, Home Care Category, North America, Procter and Gamble Company (a manufacturer and marketer of a broad range of consumer products).

Elected Corporate Officer — 2003.

Joseph M. Nemmers Jr.*, 49

2003 to present — 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.

1999 to 2001 — Vice President and Executive Director, Clara Abbott Foundation.

1999 — Director, Marketing & Sales Services, Pharmaceutical Products Division.

Elected Corporate Officer — 2001.

Thomas M. Wascoe*, 57

1999 to present — Senior Vice President, Human Resources.

1999 — Divisional Vice President, Human Resources, Diagnostic Products.

Elected Corporate Officer — 1999.

Lance B. Wyatt*, 59

2003 to present — Senior Vice President, Global Pharmaceutical Manufacturing.

2000 to 2003 — Senior Vice President, Specialty Products.

1999 to 2000 — Vice President, Corporate Engineering.

Elected Corporate Officer — 1995.

John Arnott, 43

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

2002 — Divisional Vice President and Regional Director, Europe, Abbott International Division.

2000 to 2002 — Divisional Vice President, Marketing and Business Development, Abbott International Division.

1999 to 2000 — General Manager, Netherlands, Abbott International Division.

Elected Corporate Officer — 2002.

Catherine V. Babington, 51

1999 to present — Vice President, Investor Relations and Public Affairs.

Elected Corporate Officer — 1995.

Michael G. Beatrice, 56

1999 to present — Vice President, Corporate Regulatory and Quality Science.

1999 — Executive Vice President and General Manager, Quintiles Strategic Product Development Consulting Services (global regulatory and quality systems consultation service organization).

Elected Corporate Officer — 1999.

Jeffrey R. Binder, 40

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

2003 to 2004 — President, Spinal Concepts.

2000 to 2003 — President and CEO, Spinal Concepts, Inc. (innovator in spinal fixation technology).

1999 to 2000 — President, De Puy Orthopedics, Inc. (manufacturer of orthopedic products).

Elected Corporate Officer — 2004.

Olivier Bohuon, 45

2003 to present — Vice President, European Operations.

1999 to 2003 — Senior Vice President, Director, European Commercial Operations, Glaxo Smith Kline (a research based pharmaceutical and healthcare company).

Elected Corporate Officer — 2003.

Charles M. Brock, 62

2003 to present — Vice President and Chief Ethics and Compliance Officer.

2000 to 2003 — Chief Ethics and Compliance Officer.

1999 to 2000 — Divisional Vice President, Associate General Counsel, International Legal Operations, and Assistant Secretary.

Elected Corporate Officer — 2003.

William E. Brown, III, 49

2002 to present — Vice President, Diagnostic Assays and Systems Development.

2002 — Divisional Vice President, Immunoassay Development, Diagnostic Products.

1999 to 2002 — Divisional Vice President, Validation Initiative, Diagnostic Products.

1999 — Divisional Vice President, Chemistry and Immunodiagnostics, Diagnostic Products.

1999 — Divisional Vice President, Instrument Manufacturing and Site Operations, Dallas, Diagnostic Products.

Elected Corporate Officer — 2002.

Douglas C. Bryant, 46

2003 to present — Vice President, Global Commercial Operations.

2002 to 2003 — Vice President, Diagnostic Commercial Operations, Europe, Africa and Middle East.

1999 to 2002 — Vice President, Diagnostic Operations, Asia and Pacific.

Elected Corporate Officer — 1998.

Thomas F. Chen, 54

1999 to present — Vice President, Pacific, Asia, and Africa Operations.

Elected Corporate Officer — 1998.

Michael J. Collins, 47

2001 to present — Vice President, Diagnostic Operations, U.S.

1999 to 2001 — Divisional Vice President and General Manager, MediSense Operations.

Elected Corporate Officer — 2001.

Jaime Contreras, 47

2004 to present — Vice President, Diagnostic Commercial Operations, Europe, Africa and Middle East.

2003 to 2004 — Vice President, Diagnostic Commercial Operations, Latin America.

2001 to 2003 — Divisional Vice President and General Manager, Latin America, Diagnostic Products.

1999 to 2001 — General Manager, Spain and Portugal, Diagnostic Products.

Elected Corporate Officer — 2003.

Thomas J. Dee, 40

2002 to present — Vice President, Internal Audit.

2001 to 2002 — Europe Area Finance Director, Abbott International Division.

2001 — Director, Acquisition Integration Management, Abbott International Division.

2000 to 2001 — Controller, Manufacturing Operations, Pharmaceutical Products.

1999 to 2000 — Director, International Audit, Corporate Audit.

Elected Corporate Officer — 2002.

Edward J. Fiorentino, 45

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

2001 to 2003 — Vice President, MediSense Products.

1999 to 2001 — Vice President, Pharmaceutical Products, Marketing and Sales.

Elected Corporate Officer — 1998.

Stephen R. Fussell, 46

1999 to present — Vice President, Compensation and Development.

1999 — Divisional Vice President, Compensation and Benefits.

Elected Corporate Officer — 1999.

Mark F. Gorman, 46

2002 to present — Vice President, Ross Products, Medical Nutritionals.

2001 to 2002 — Divisional Vice President, Europe, Abbott International Division.

2000 to 2001 — Divisional Vice President, Japan, Abbott International Division.

1999 to 2000 — Affiliate General Manager, Puerto Rico, Abbott International Division.

Elected Corporate Officer — 2002.

Robert B. Hance, 44

2003 to present — Vice President and President, Vascular Devices.

2002 to 2003 — Vice President, Vascular Devices.

1999 to 2002 — Vice President, Diagnostic Operations, Europe, Africa and Middle East.

1999 — Divisional Vice President, European Region, Diagnostic Products.

Elected Corporate Officer — 1999.

Terrence C. Kearney, 49

2003 to present — Vice President and Treasurer.

2002 to 2003 — Vice President and Treasurer/Interim Vice President and Controller, Diagnostic Products.

2001 to 2002 — Vice President and Treasurer.

1999 to 2001 — Divisional Vice President and Controller, Abbott International Division.

Elected Corporate Officer — 2001.

James J. Koziarz, 55

2002 to present — Vice President, Hepatitis/Retrovirus Research and Development and Assay Technical Support, Diagnostic Products.

1999 to 2002 — Vice President, Diagnostic Products Research and Development.

Elected Corporate Officer — 1993.

John C. Landgraf, 51

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

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

2000 to 2002 — Vice President, Corporate Engineering.

1999 to 2000 — Divisional Vice President, Manufacturing, Abbott International Division.

Elected Corporate Officer — 2000.

Elaine R. Leavenworth, 45

2002 to present — Vice President, Government Affairs.

2001 to 2002 — Vice President, Washington Government Affairs.

1999 to 2001 — Vice President, Abbott HealthSystems.

1999 — Divisional Vice President, Licensing and New Business Development, Abbott International Division.

Elected Corporate Officer — 1999.

Gerald Lema, 43

2002 to present — Vice President, Diagnostic Commercial Operations, Asia and Pacific.

1999 to 2002 — Divisional Vice President, Europe, Africa and Middle East, Diagnostic Products.

1999 — Affiliate General Manager, Turkey, Abbott International Division.

Elected Corporate Officer — 2002.

John M. Leonard, 46

2001 to present — Vice President, Global Pharmaceutical Development.

1999 to 2001 — Vice President, Pharmaceutical Development.

1999 — Divisional Vice President, Pharmaceutical Development, Pharmaceutical Products Research and Development.

Elected Corporate Officer — 1999.

Holger Liepmann, 52

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

1999 to 2001 — Divisional Vice President and Regional Director, Europe.

1999 — General Manager, Abbott Spain.

Elected Corporate Officer — 2001.

Greg W. Linder*, 47

2001 to present — Vice President and Controller.

1999 to 2001 — Vice President and Treasurer.

1999 — Divisional Vice President and Controller, Hospital Products.

Elected Corporate Officer — 1999.

Richard J. Marasco, 47

2001 to present — Vice President, Ross Products, Pediatrics.

1999 to 2001 — Divisional Vice President and General Manager, Neuroscience, Pharmaceutical Products Division.

1999 — Regional Manager, Middle East, Africa, Turkey.

Elected Corporate Officer — 2001.

Heather L. Mason, 43

2001 to present — Vice President, Pharmaceutical Products, Specialty Operations.

2001 — Divisional Vice President and General Manager Diabetes/Metabolics, Pharmaceutical Products Division.

2000 to 2001 — Divisional Vice President, Oncology and Managed Healthcare, Pharmaceutical Products Division.

1999 to 2000 — Divisional Vice President, Managed Healthcare, Pharmaceutical Products Division.

Elected Corporate Officer — 2001.

P. Loreen Mershimer, 49

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

1999 to 2001 — Divisional Vice President, Hospital Business Systems.

Elected Corporate Officer — 2001.

Edward L. Michael, 47

2003 to present — Vice President and President, Molecular Diagnostics.

2002 to 2003 — Vice President Immunoassay/Clinical Chemistry, Diagnostic Products.

1999 to 2002 — Vice President, Diagnostic Assays and Systems.

1999 — Vice President, Diagnostic Operations, Europe, Africa, and Middle East.

Elected Corporate Officer — 1997.

Karen L. Miller, 50

2000 to present — Vice President, Information Technology.

1999 to 2000 — Divisional Vice President, Information Systems, Diagnostic Products.

Elected Corporate Officer — 2000.

Sean E. Murphy, 51

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

2001 to 2002 — Divisional Vice President, Global Licensing, New Business Development, Corporate Division, Global Medical Products.

2000 to 2001 — Divisional Vice President and General Manager, Perclose, Hospital Products Division.

1999 to 2000 — Divisional Vice President, New Business Development, Hospital Products Division.

Elected Corporate Officer — 2002.

Daniel W. Norbeck, 45

2001 to present — Vice President, Global Pharmaceutical Discovery.

1999 to 2001 — Vice President, Pharmaceutical Discovery.

1999 — Divisional Vice President, Discovery, Pharmaceutical Products Research and Development.

Elected Corporate Officer — 1999.

Edward A. Ogunro, 51

1999 to present — Vice President, Hospital Products Research and Development, Medical and Regulatory Affairs.

1999 — Divisional Vice President, Immunodiagnostics and Chemistry, Diagnostic Products.

Elected Corporate Officer — 1999.

Stafford O'Kelly, 42

2004 to present — Vice President, Latin America and Canada.

2001 to 2004 — Divisional Vice President and Controller, Abbott International Division.

1999 to 2001 — Divisional Vice President and Controller, Ross Products Division.

1999 — Divisional Vice President and Controller, TAP Pharmaceutical Products Inc.

1999 — Controller, TAP Pharmaceutical Products Inc.

Elected Corporate Officer — 2004.

Laura J. Schumacher, 40

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

2000 to 2003 — Divisional Vice President, Litigation.

1999 — Senior Counsel, Litigation.

Elected Corporate Officer — 2003.

AJ J. Shoultz, 48

2003 to present — Vice President, Taxes.

2000 to 2003 — Corporate Vice President, Taxes, Pharmacia Corporation (a developer, manufacturer, and seller of pharmaceutical products).

1999 to 2000 — Vice President, Taxes, Monsanto Corporation (a provider of agricultural products and solutions).

Elected Corporate Officer — 2003.

Mary T. Szela, 40

2001 to present — Vice President, Pharmaceutical Products, Primary Care Operations.

2001 — Vice President, Hospital Products Business Sector.

1999 to 2001 — Divisional Vice President, Hospital Products Business Sector.

Elected Corporate Officer — 2001.

James L. Tyree, 50

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

2000 to 2001 — Divisional Vice President, Licensing/New Business Development.

1999 to 2000 — Divisional Vice President and General Manager, Abbott International Division.

Elected Corporate Officer — 2001.

Steven J. Weger Jr., 59

1999 to present — Vice President, Corporate Planning and Development.

Elected Corporate Officer — 1996.

Susan M. Widner, 47

2001 to present — Vice President, Abbott HealthSystems.

1999 to 2001 — Vice President, Diagnostic Operations, U.S. and Canada.

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 THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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			
	2003		2002	
	high	low	high	low
First Quarter	40.85	33.75	58.00	51.40
Second Quarter	46.94	37.57	55.23	35.25
Third Quarter	45.09	37.65	43.85	29.80
Fourth Quarter	47.15	39.95	46.08	36.26

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

Shareholders

There were 91,212 shareholders of record of Abbott common shares as of December 31, 2003.

Dividends

Quarterly dividends of $.245 per share and $.235 per share were declared on common shares in 2003 and 2002, respectively.

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

ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31				
	2003	2002	2001	2000	1999
	(dollars in millions, except per share data)				
Net sales(a)	$ 19,680.6	$ 17,684.7	$ 16,285.2	$ 13,745.9	$ 13,177.6
Net earnings	2,753.2	2,793.7	1,550.4(b)	2,786.0	2,445.8
Basic earnings per common share	1.76	1.79	1.00(b)	1.80	1.59
Diluted earnings per common share	1.75	1.78	0.99(b)	1.78	1.57
Total assets	26,715.3	24,259.1	23,296.4	15,283.3	14,471.0
Long-term debt	3,452.3	4,274.0	4,335.5	1,076.4	1,336.8
Cash dividends declared per common share	0.98	0.94	0.84	0.76	0.68

(a) In August 2003, Abbott announced a plan to create a separate publicly traded company, Hospira, Inc., for its existing core hospital products business. Annual sales of Hospira are approximately $2.4 billion. Subsequent to the spin-off the historical results of Hospira will be presented as discontinued operations. Hospira is expected to be spun off in the first half of 2004, pending final approval of the transaction by the Abbott Board of Directors.

(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 manufactured in Abbott facilities and sold to customers 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, diagnostic testing products, nutritional and hospital products.

Acquisitions, regulatory issues, and legal issues have impacted Abbott's sales, costs and financial position over the last three years.

In 2001, Abbott acquired the Knoll pharmaceutical business from BASF for $7.2 billion and financed the purchase with debt. The Knoll business increased the scale of Abbott's pharmaceutical business, and added significant commercial and research and development capabilities. Also, during the last three years, Abbott financed with debt and cash the acquisitions of several businesses and technologies targeted to deliver sales growth. As a result of these acquisitions, Abbott recorded goodwill and intangibles of $7.0 billion, net of amortization, and acquired in-process research and development of $1.5 billion.

A portion of Abbott's diagnostic business was subject to product distribution restrictions due to a regulatory review in 1999, and net sales and costs were impacted in this segment as a result of these restrictions. In late 2003, Abbott was informed that it may now distribute the products that were impacted by these restrictions. Also, in 2003, Abbott settled its portion of an industry-wide investigation of the enteral nutritional business for $614 million.

Abbott's short- and long-term debt totaled $5.9 billion at December 31, 2003, largely reflecting the acquisitions described above. Abbott has two acquisitions pending with aggregate purchase amounts of $1.6 billion, which will be financed through a combination of operating cash flow, domestic commercial paper borrowings and long-term debt. At December 31, 2003, Abbott's long-term debt rating was AA by Standard and Poor's and A1 by Moody's Investors Service.

In 2003, Abbott announced that it would distribute the shares of its core hospital products business, Hospira, Inc., to Abbott shareholders in a tax-free spin-off. The Hospira business is comprised of a large portion of the Hospital Products segment and a small portion of the International segment. Annual sales of Hospira are approximately $2.4 billion. Subsequent to the spin-off, the historical results of Hospira will be presented as discontinued operations. The distribution is expected to occur in the first half of 2004.

In 2004, Abbott will focus on several key initiatives. In the Pharmaceutical Products Group, which includes the Pharmaceutical Products and International segments, Abbott's penetration of the rheumatoid arthritis market will continue with the global launch of *Humira*; Abbott expects worldwide sales of *Humira* to exceed $700 million in 2004. Pharmaceutical research and development efforts will continue to be focused in five therapeutic areas with a significant portion of the development expenditures allocated to new *Humira* indications. Abbott is also realigning its pharmaceutical manufacturing operations under a global structure to create a world-class supply chain that better aligns the commercial, research and manufacturing organizations.

In the Medical Products Group, which includes the Diagnostic Products, Hospital Products and Ross Products segments, the Hospira spin-off is projected to take place in the first half of 2004. In 2003, the focus within the Medical Products Group was on repositioning the various businesses for higher growth. The focus in 2004 will be on executing the major initiatives already under way, including increasing the consumer presence of the Ross nutritional business, integrating recent acquisitions, and positioning the

vascular, molecular and blood glucose monitoring businesses to deliver strong sales growth. Also in 2004, following the successful inspection of the Lake County diagnostic facility, stabilization and re-acceleration of sales growth in the immunoassay business is expected to be accomplished through focus on near-term product launches and commercial execution.

Critical Accounting Policies

Litigation — Abbott accounts for litigation losses in accordance with Statement of Financial Accounting Standards (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 $125 million to $200 million. Abbott has recorded reserves of approximately $140 million for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by SFAS No. 5.

Sales Rebates — A large part of Abbott's domestic businesses sell products to distributors who resell the products to the end customers. Abbott must provide rebates to members of buying groups who purchase from Abbott's distributors, to distributors that sell to their customers at prices determined under a contract between Abbott and the customer, or to state agencies, which administer various programs such as the federal Medicaid and Medicare programs and the Special Supplemental Food Program for Women, Infants, and Children (WIC). Rebate amounts are usually based upon the volume of purchases or by reference to a specific price for a product. Factors that complicate the rebate calculations are identification of which products have been sold subject to a rebate, which customer or government 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 three to 24 months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to recorded reserves for changes in trends and terms of rebate programs. Rebates charged against gross sales in 2003 amounted to approximately $2.6 billion, or 28.3 percent, based on gross sales of approximately $9.2 billion. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales and operating income by approximately $92 million.

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. The company 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. In the United States, Abbott's income tax returns for years after 1992 are open.

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. 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. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 5 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 2003 and 2002, Abbott recorded minimum pension liability adjustments of $155 million and $343 million, respectively, because the accumulated benefit obligations for certain domestic and international defined benefit plans exceeded the market value of the plans' assets. This resulted in charges to Accumulated other comprehensive income (loss) of $99 million and $203 million, net of taxes, in 2003 and 2002, respectively. The weighted average discount rate used at December 31, 2003 for determining the accumulated benefit obligations for defined benefit plans whose accumulated benefit obligations were in excess of plan assets was 5.9 percent. A one-percentage point reduction in the discount rate at December 31, 2003 would result in an increase in the minimum pension liability adjustments and an increase in the charge to Accumulated other comprehensive income (loss) of approximately $780 million and $500 million, respectively.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott values and records. 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. Abbott uses a discounted cash flow model to value 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. During the last three years, the increase in acquired intangible assets, net of amortization, and goodwill amounted to approximately $3.2 billion and $3.8 billion, respectively. Amortization of intangible assets amounted to approximately $363 million in 2003.

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				
2003 vs. 2002	11.3	1.0	6.8	3.5
2002 vs. 2001	8.6	0.7	8.5	(0.6)
2001 vs. 2000	18.5	0.5	20.3	(2.3)
Total U.S.				
2003 vs. 2002	9.2	1.0	8.2	—
2002 vs. 2001	7.4	0.5	6.9	—
2001 vs. 2000	17.2	0.5	16.7	—
Total International				
2003 vs. 2002	14.5	1.0	4.4	9.1
2002 vs. 2001	10.6	1.0	11.1	(1.5)
2001 vs. 2000	20.7	0.6	26.1	(6.0)
Pharmaceutical Products Segment				
2003 vs. 2002	22.3	3.7	18.6	—
2002 vs. 2001	13.5	3.9	9.6	—
2001 vs. 2000 (a)	45.7	2.3	43.4	—
Diagnostic Products Segment				
2003 vs. 2002	5.0	—	(1.8)	6.8
2002 vs. 2001	(1.1)	(0.1)	(0.6)	(0.4)
2001 vs. 2000	0.2	(0.2)	4.2	(3.8)
Hospital Products Segment				
2003 vs. 2002	3.3	(0.2)	3.5	—
2002 vs. 2001	7.2	(0.6)	7.8	—
2001 vs. 2000	10.8	(1.2)	12.0	—
Ross Products Segment				
2003 vs. 2002	2.3	(0.9)	3.2	—
2002 vs. 2001	—	(2.2)	2.2	—
2001 vs. 2000	2.6	2.1	0.5	—
International Segment				
2003 vs. 2002	12.9	1.6	2.8	8.5
2002 vs. 2001	14.0	1.3	14.6	(1.9)
2001 vs. 2000 (a)	33.6	0.4	39.2	(6.0)

(a) In 2001, Pharmaceutical Products and International segment sales were favorably impacted compared to 2000 by the acquisition of the pharmaceutical business of BASF.

A comparison of the product group sales by segment is as follows *(dollars in millions)*:

	2003	Percent Change	2002	Percent Change	2001	Percent Change
Pharmaceutical Products —						
Neuroscience	$ 886	3	$ 861	(1)	$ 869	12
Anti-Infectives	786	22	644	3	627	1
Diabetes/Metabolism	633	12	564	7	529	N/A
Cardiology	672	42	473	52	310	105
Anti-Viral	429	13	380	27	298	109
Immunology	246	N/A	—	—	—	—

Diagnostic Products —						
Immunochemistry	2,172	4	2,096	(3)	2,170	(3)
Glucose	542	10	494	8	455	5
Hematology	230	8	212	(4)	220	3
Hospital Products —						
Specialty Injectable Pharmaceuticals	858	(2)	871	7	811	6
Medication Delivery Systems and Critical Care Devices	823	1	819	2	805	6
Hospital Pharmaceuticals	837	9	770	16	665	21
Ross Products —						
Pediatric Nutritionals	1,093	9	1,003	(4)	1,041	—
Adult Nutritionals	809	(3)	838	1	833	4
International —						
Other Pharmaceuticals	2,629	15	2,287	31	1,742	152
Anti-Infectives	766	10	696	(2)	708	(8)
Hospital Products	880	12	785	3	759	(2)
Pediatric Nutritionals	527	8	486	1	480	9
Adult Nutritionals	591	12	528	4	508	—

Sales of new products in 2003 are estimated to be approximately $940 million, led by the Pharmaceutical Products, Hospital Products and International segments. Sales increases in the Pharmaceutical Products segment for Anti-Infectives in 2003 and Cardiology for all three years represent primarily volume increases. The effect of the relatively weaker U.S. dollar in 2003 favorably impacted sales in the Diagnostic Products and International segments. The sales increase in 2003 for Pediatric Nutritionals in the Ross Products segment was due to increased penetration of *Similac Advance* as well as incremental sales related to Abbott's award of the WIC contract in California. The acquisition of the pharmaceutical business of BASF in 2001 favorably impacted the Diabetes/Metabolism and Cardiology product sales of the Pharmaceutical Products segment and the Other Pharmaceuticals product sales of the International segment for 2001. 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 Note 1. Gains recorded in net sales were $241 million in 2003, $164 million in 2002 and $44 million in 2001.

On December 31, 2002, the FDA approved *Humira* for the treatment of rheumatoid arthritis and in September 2003, the European Union approved *Humira*. U.S. sales of *Humira*, reported in Immunology product sales, were $246 million in 2003, and international sales of *Humira* were $34 million in 2003. Worldwide sales of *Humira* are forecasted to be more than $700 million in 2004.

The expiration of licenses or patent protection can affect the future revenues and operating income of Abbott. Significant patent expirations and activities in the next three years are as follows. The original U.S. compound patent on clarithromycin expires in 2005. Approximately 61% of the U.S. sales of clarithromycin in 2003 were made under a form covered by patents that expire after 2005. U.S. sales of clarithromycin were $538 million in 2003. Abbott markets *TriCor* in the U.S. under a license agreement and patents covering *TriCor* are being challenged by competitors. Abbott is vigorously defending the patents. U.S. sales of *TriCor* were $566 million in 2003. Abbott's NDA for *Synthroid*, which is not protected by a patent, was approved by the FDA in 2002. The FDA is studying the conditions under which competitors may rely on Abbott's NDA to market a competitive product and could grant approval for such generic products at any time. U.S. sales of *Synthroid* were $565 million in 2003.

Operating Earnings

Gross profit margins were 51.9 percent of net sales in 2003 and 2002 compared to 52.4 percent in 2001. 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. The gross profit margin for 2002 included the effects of the FDA consent decree charge, restructuring charges, both as discussed below, and unfavorable product mix; partially offset by the absence of goodwill amortization in 2002. The decrease in the gross profit margin in 2001 was due primarily to increased goodwill and intangibles amortization and integration charges as a result of the acquisition of the pharmaceutical business of BASF. 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.

The gross profit margins for the Pharmaceutical Products segment were favorably impacted in 2003 and 2001 by favorable product mix and unfavorably impacted in 2002 by unfavorable product mix. In addition, the gross profit margin in 2003 for the Pharmaceutical Products segment was unfavorably impacted by higher costs for co-promoted products and higher other manufacturing costs. The gross profit margins for the Diagnostic Products segment were impacted by the effect of the consent decree for all three years, as discussed below.

Under terms of a 1999 consent decree with the U.S. government, Abbott was prohibited from manufacturing certain diagnostic products for sale in the U.S. until its Lake County, Ill. manufacturing facilities were found to be in substantial conformity with the Food and Drug Administration's (FDA) Quality System Regulation. In December of 2003, the FDA found the facilities to be in substantial conformity and Abbott can start the process of manufacturing impacted

products for sale in the U.S. In connection with the consent decree, Abbott recorded remediation costs and payments to the government, including a pretax charge of $129 million in 2002.

Research and development expense, excluding acquired in-process research and development, was $1.7 billion in 2003 and $1.6 billion in 2002 and 2001, and represented 8.8 percent of net sales in 2003 and 2002 compared to 9.7 percent of net sales in 2001. The decline in research and development as a percentage of sales in 2003 and 2002 compared to 2001 was due, in part, to the decline in spending on Phase III clinical trials in 2003 and 2002. The majority of research and development expenditures are concentrated on pharmaceutical products.

Selling, general and administrative expenses increased 26.9 percent in 2003 compared to increases of 6.5 percent in 2002 and 29.0 percent in 2001. In 2003, Abbott recorded in Selling, general and administrative expense, a pretax charge of $614 million related to the settlement of the Ross enteral nutritional investigation. This charge increased selling, general and administration expenses by 15.4 percent over 2002. The increases in selling, general and administrative expense, excluding the charge for the investigation, were due primarily to increased selling and marketing support for new and existing products, including accelerated spending for the launch of *Humira*, due to its earlier-than-expected FDA approval, as well as spending on other marketed pharmaceutical products. The increase in selling, general and administration in 2001 reflects the acquisition of the pharmaceutical business of BASF in 2001. Increases in all three years also reflect inflation and additional selling and marketing support primarily in the Pharmaceutical Products, International, and Hospital Products segments.

Net Interest Expense

Net interest expense decreased in 2003 and 2002 due to a lower level of borrowings and lower interest rates.

(Income) From TAP Pharmaceutical Products Inc. Joint Venture

Abbott's income from the TAP Pharmaceutical Products Inc. (TAP) joint venture was lower in 2003 reflecting decreased sales and a higher level of selling and marketing spending and, in 2001, reflecting the settlement of the U.S. government's investigation of TAP's marketing of *Lupron*, as discussed in Note 9.

Other (Income) Expense, net

Other (income) expense, net for 2002 and 2001 includes charges of $211 million and $99 million, respectively, as a result of other than temporary declines in the market values of certain equity securities.

Taxes on Earnings

The effective income tax rates were 26.3 percent in 2003, 24.0 percent in 2002 and 17.7 percent in 2001. 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 substantially nondeductible charges for 2003 was to increase the effective tax rate by approximately 2.3 percentage points. The 2001 tax rate is lower than the 2003 and 2002 tax rates due primarily to the effect of the benefit of tax exemptions in several taxing jurisdictions in relation to Abbott's lower pretax income in 2001 compared to 2003 and 2002. This had the effect of decreasing the effective tax rate by 8.3 percentage points. The 2002 tax rate is lower than the 2001 tax rate, excluding the effects of the acquisitions of the pharmaceutical business of BASF and of Vysis, Inc. in 2001, due in part to the domestic dividend exclusion applicable to the increased earnings of TAP Pharmaceutical Products Inc. Abbott expects to apply an annual effective rate of 24.5 percent in 2004 due, in part, to the comparatively lower benefit from the domestic dividend exclusion compared to Abbott's total pretax income. Acquired in-process research and development relating to pending 2004 business acquisitions, as discussed below, will be tax effected at discrete tax rates.

Spin-off of Abbott's Core Hospital Products Business

In August 2003, Abbott announced a plan to create a separate publicly traded company for its existing core hospital products business. The new company, Hospira, Inc., will include 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, which is expected to be spun off by Abbott in the first half of 2004 pending final approval of the distribution by Abbott's Board of Directors, will include most of Abbott's Hospital Products segment and

portions of Abbott's International segment. All of the shares of Hospira's common stock will be distributed to Abbott shareholders in a tax-free distribution on a pro-rata basis. Abbott has received a ruling from the Internal Revenue Service that the spin-off qualifies as a tax-free distribution. Hospira will borrow or assume approximately $750 million of debt, the proceeds of which will be retained by Abbott to pay down domestic commercial paper borrowings. Hospira has filed a preliminary Form 10 with the Securities and Exchange Commission, which includes 2002 pro forma annual net sales of approximately $2.4 billion, pro forma annual earnings before income taxes of approximately $350 million and annual net cash flow from operating and investing activities of approximately $340 million. Subsequent to the spin-off, the financial results of Hospira will be presented as discontinued operations in Abbott's financial statements.

Business Combinations and Technology Acquisitions

In 2003, Abbott acquired ZonePerfect Nutritional 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. In 2003, 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, will be amortized over 9 to 25 years (average of approximately 16 years). Had these acquisitions taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

In 2002, Abbott acquired the cardiovascular stent business of Biocompatibles International plc and certain cardiovascular stent technology rights from Medtronic, Inc. In addition, Abbott acquired an additional 28.8 percent of the issued common shares of Hokuriku Seiyaku Co., Ltd., resulting in Abbott owning substantially all of the common shares of Hokuriku Seiyaku Co., Ltd. The aggregate cash purchase price ($586 million) of these strategic business and technology acquisitions resulted in a pretax charge for acquired in-process research and development of approximately $108 million, intangible assets of approximately $145 million and non-tax deductible goodwill of approximately $257 million. Acquired intangible assets, primarily product technology, are amortized over 4 to 13 years (average of approximately 8 years). Had these acquisitions taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

On March 2, 2001, Abbott acquired, for cash, the pharmaceutical business of BASF, which included the global operations of Knoll Pharmaceuticals, for approximately $7.2 billion. This acquisition was financed primarily with short- and long-term debt and is accounted for under the purchase method of accounting. The acquisition cost has been allocated to intangible assets, $3.5 billion; goodwill, $2.4 billion; acquired in-process research and development, $1.2 billion; and net tangible assets, $0.1 billion, based on an independent appraisal of fair values. Product rights for marketed products are amortized on a straight-line basis over 10 to 16 years (average 13 years), and goodwill was amortized in 2001 on a straight-line basis over 20 years. Acquired in-process research and development was charged to expense in 2001. The net tangible assets acquired consist primarily of property and equipment of approximately $630 million, trade accounts receivable of approximately $402 million, and inventories of approximately $275 million, net of assumed liabilities, primarily trade accounts payable and other liabilities. Prior to the date of acquisition, Abbott began to plan for the integration and restructuring of the business. In 2001 and 2002, Abbott formally approved several restructuring plans and certain costs of implementing formally approved plans have been included as goodwill. Had this acquisition taken place on January 1, 2000, pro forma consolidated sales for 2001 would have been $16.7 billion, pro forma net income would have been $2.3 billion and pro forma diluted earnings per share would have been $1.46.

In 2001, Abbott acquired, for cash, all of the outstanding common stock of Vysis, Inc., a leading genomic disease management company. Of the cash acquisition cost of approximately $362 million, $162 million was allocated to developed technology, which is amortized over 15 years, and $143 million was charged against earnings in 2001 for acquired in-process research and development. The remaining acquisition cost was allocated to net tangible assets and goodwill. Had this acquisition taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

In January 2004, Abbott announced that it has entered into an agreement to acquire all of the capital stock of TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self-monitoring systems, for $1.2 billion in cash. The completion of the acquisition is subject to approval by the holders of a majority of TheraSense common stock, regulatory approvals and customary closing conditions and is expected to close in the second quarter of 2004. In addition, in January 2004, Abbott acquired, for approximately $392 million in cash, the shares of i-STAT Corporation, a leading manufacturer of point-of-care diagnostic systems for blood analysis, which Abbott did not already own. In 2004, Abbott expects to record a charge of approximately $171 million for acquired in-process research and development, the amount of which is subject to the final appraisal, and approximately $115 million for restructuring and integration costs in connection with these acquisitions.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $3.7 billion, $4.2 billion and $3.6 billion in 2003, 2002 and 2001, respectively. Net cash from operating activities in 2003 was lower than 2002 due, in part, to the payment of the Ross enteral nutritional settlement, as discussed above. In 2003 and 2002, Abbott funded $200 million and $106 million, respectively, to its main domestic pension plan and funding to this plan in 2004 is expected to be between $250 million and $300 million. Abbott expects pension funding for its main domestic pension plan over the next three to five years to be between $200 million and $400 million annually.

The acquisitions of TheraSense and i-STAT in 2004 will be financed through a combination of operating cash flow, domestic commercial paper borrowings and long-term debt. In addition, $1.650 billion of long-term debt is due to be paid in July 2004 that Abbott will fund out of operating cash flow and domestic commercial paper borrowings. Abbott expects to retain approximately $750 million of proceeds from borrowings that will be assumed by Hospira as a result of the spin-off. Abbott intends to use these proceeds to reduce domestic commercial paper borrowings.

Debt and Capital

At December 31, 2003, 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.

In the fourth quarter of 2003, Abbott issued long-term yen denominated notes in the amount of approximately $926 million that mature from 2007 through 2013. Proceeds from these notes were used to pay off short-term yen denominated borrowings and to reduce domestic commercial paper borrowings.

Under a registration statement filed with the Securities and Exchange Commission in September 2003, Abbott issued $500 million of long-term debt in February 2004. Abbott may issue up to an additional $1.0 billion in the future in the form of debt under the registration statement.

In June 2000, the Board of Directors authorized the purchase of 25 million shares of Abbott's common stock. In 2000 and 2001, Abbott purchased 10.6 million shares from this authorization for $482 million. Common stock purchases were temporarily suspended in January 2001, following Abbott's

announced acquisition of the pharmaceutical business of BASF. In 2003, Abbott announced that it plans to purchase the remaining 14.4 million shares from time to time on the open market and purchased 2.7 million of its common shares at a cost of $98 million. As of December 31, 2003, an additional 11.7 million shares may be purchased in future periods under the September 2000 authorization by the Board of Directors. In the first quarter of 2004, Abbott again purchased its common stock on the open market under this authorization.

Working Capital

At December 31, 2003, 2002, and 2001, working capital was $2.7 billion, $2.1 billion, and $492 million, respectively. The increase in working capital in 2003 and 2002 versus 2001 was primarily due to operating cash flows used to decrease short-term domestic commercial paper borrowings incurred as a result of the acquisition of the pharmaceutical business of BASF in 2001.

Capital Expenditures

Capital expenditures of $1.2 billion in 2003, $1.3 billion in 2002, and $1.2 billion in 2001 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 and hospital equipment placed with customers. This level of capital expenditures is expected to be lower in 2004 following the spin-off of Hospira. An increased proportion of the capital expenditures will be dedicated to the International and Pharmaceutical Products segments.

Restructuring Plans
(in millions of dollars)

In 2002, as discussed in Note 10, Abbott announced restructuring plans to align Abbott's global manufacturing operations with its scientific focus and to achieve greater operating efficiencies in its Diagnostic Products and International segments. In 2002, Abbott recorded a pretax charge against earnings of $174, reflecting the impairment of manufacturing facilities and other assets, and employee severance charges. Approximately $83 is classified as Cost of products sold, $5 as Research and development, and $86 as Selling, general and administrative. The restructuring plans resulted in the elimination of approximately 2,100 net positions. Employee groups covered under the restructuring plans included manufacturing, research and development, and sales and administrative-related functions. The accrued restructuring reserve balance at December 31, 2003 of approximately $23 relates primarily to employee severance obligations, which, by local laws must be paid over time.

In 2001 and 2002, as discussed in Note 10, Abbott implemented restructuring plans related to the operations of the acquired pharmaceutical business of BASF and the closing of one of Abbott's manufacturing operations. In 2001, of the total $207 restructuring charges, $156 was recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. Of the amount expensed, approximately $36 is classified as Cost of products sold, $2 as Research and development, and $13 as Selling, general and administrative. Employee-related costs are primarily severance pay, relocation of former BASF employees and outplacement services. The restructuring plans resulted in the elimination of approximately 2,400 positions. Employee groups covered under the restructuring plans included manufacturing, research and development, and sales and administrative-related functions. In 2002, a $59 restructuring charge was recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. The accrued restructuring reserve balance at December 31, 2003 of approximately $11 relates primarily to employee severance obligations, which, by local laws must be paid over time.

Contractual Obligations
(in millions of dollars)

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 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. The following table summarizes Abbott's estimated contractual obligations:

	Payment Due By Period				
	Total	2004	2005-2006	2007-2008	2009 and Thereafter
Long-term debt, including current maturities	$ 5,033	$ 1,657	$ 2,009	$ 950	$ 417
Operating lease obligations	381	77	141	102	61
Capitalized auto lease obligations	99	33	66	—	—
Purchase commitments (1)	2,402	2,295	66	27	14
Other long-term liabilities reflected on the consolidated balance sheet (2)	697	—	248	103	346
Total	$ 8,612	$ 4,062	$ 2,530	$ 1,182	$ 838

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

(2) Excludes approximately $1.9 billion of other long-term liabilities related primarily to post-employment benefit plans. See Note 5 for disclosures relating to these plans.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," which is effective for financial statements issued for fiscal years beginning after June 15, 2002. In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This Interpretation requires the recognition of certain guarantees as liabilities at fair market value and is effective for guarantees issued or modified after December 31, 2002. Adoption of the provisions of the Statement and Interpretation did not have a material effect on the financial statements of Abbott.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002 and will not have a material effect on the financial statements of Abbott. Abbott accounted for the 2002 restructuring plans in accordance with Emerging Issues Task Force (EITF) Issue No. 94-3 and, accordingly, charged to income in 2002 all appropriate exit costs for plans approved by management before December 31, 2002. Accounting for these restructuring plans under SFAS No. 146 would have resulted in some of the expenses that were recorded in 2002 being recorded in 2003. However, a significant amount of expenses would have been charged against income in 2002 under either EITF No. 94-3 or SFAS No. 146.

Legislative Issues

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Among the provisions of the Act is a provision granting a subsidy to sponsors of retirement medical plans with prescription drug coverage when the benefit is at least actuarially equivalent to the Medicare Part D benefit. The Financial Accounting Standards Board has not issued final rules specifying how sponsors should account for this subsidy. Abbott has not estimated the expected favorable impact of the legislation on its retiree medical obligations or costs, and therefore has not reflected any effect of the legislation in the financial statements. The final rules, when issued by the Financial Accounting Standards Board, could require companies, including Abbott, to retroactively change amounts included in the accompanying consolidated financial statements.

Abbott's primary markets are highly competitive and subject to substantial government regulation. Abbott expects debate to continue at both the federal and state levels over the availability, method of delivery, and payment for health care products and services. If additional legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases, for medical products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future.

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, 2003 and 2002, Abbott had interest rate hedge contracts totaling $3.250 billion and $2.450 billion, respectively, to manage its exposure to changes in the fair value of debt due in July 2004 and 2006. 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, 2003 and 2002, Abbott had $806 million and $1.6 billion, respectively, of domestic commercial paper outstanding with an average interest rate of 1.1% and 1.3%, respectively, and with an average remaining life of 29 days and 24 days, respectively. The fair market value of long-term debt at December 31, 2003 and 2002, amounted to $5.4 billion and $4.6 billion, respectively, and consisted primarily of fixed-rate (average of 4.7% and 5.5%, respectively) debt with maturities through 2023. As of December 31, 2003 and 2002, the fair market value of current and long-term investment securities amounted to $316 million and $283 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 $331 million and $175 million, respectively, as of December 31, 2003 and 2002. 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. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2003 by approximately $66 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 $50 million and $48 million, respectively, as of December 31, 2003 and 2002. 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, 2003 and 2002, Abbott held $3.0 billion and $1.9 billion, respectively, of such contracts, which all mature in the next 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, 2003 and 2002, Abbott held $602 million and $857 million, respectively, of such contracts, which all mature in the next calendar year.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2003 and 2002:

	2003			2002		
	Contract Amount	Average Exchange Rate	Fair and Carrying Value	Contract Amount	Average Exchange Rate	Fair and Carrying Value
	(dollars in millions)					
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$ 1,887	1.19	$ (11.8)	$ 1,148	0.99	$ (8.5)
British Pound	799	0.59	(11.2)	511	0.65	(4.4)
Japanese Yen	229	108.9	0.6	288	121.1	1.0
Canadian Dollar	240	0.76	(2.4)	251	0.64	0.6
All other currencies	432	N/A	(5.5)	539	N/A	(6.5)
Total	$ 3,587		$ (30.3)	$ 2,737		$ (17.8)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

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

	Year Ended December 31		
	2003	2002	2001
Net Sales	$ 19,680,561	$ 17,684,663	$ 16,285,246
Cost of products sold	9,473,416	8,506,254	7,748,382
Research and development	1,733,472	1,561,792	1,577,552
Acquired in-process research and development	100,240	107,700	1,330,400
Selling, general and administrative	5,050,901	3,978,776	3,734,880
Total Operating Cost and Expenses	16,358,029	14,154,522	14,391,214
Operating Earnings	3,322,532	3,530,141	1,894,032
Net interest expense	146,123	205,220	234,759
(Income) from TAP Pharmaceutical Products Inc. joint venture	(580,950)	(666,773)	(333,767)
Net foreign exchange (gain) loss	55,298	74,626	31,351
Other (income) expense, net	(32,356)	243,655	78,541
Earnings Before Taxes	3,734,417	3,673,413	1,883,148
Taxes on earnings	981,184	879,710	332,758
Net Earnings	$ 2,753,233	$ 2,793,703	$ 1,550,390
Basic Earnings Per Common Share	$ 1.76	$ 1.79	$ 1.00
Diluted Earnings Per Common Share	$ 1.75	$ 1.78	$ 0.99
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,562,815	1,560,956	1,550,408
Dilutive Common Stock Options	9,054	12,337	15,555
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,571,869	1,573,293	1,565,963
Outstanding Common Stock Options Having No Dilutive Effect	57,706	22,558	768
Comprehensive Income, net of tax:			
Foreign currency translation adjustments	$ 1,162,004	$ 327,680	$ (5,029)
Minimum pension liability adjustments, net of taxes of $57,219 in 2003 and $115,992 in 2002	(99,155)	(203,182)	—
Unrealized (losses) gains on marketable equity securities	106,673	(20,307)	21,107
Net (losses) gains on derivative instruments designated as cash flow hedges	3,550	(28,774)	11,408
Reclassification adjustments for realized (gains)	(20,538)	(489)	(18,984)
Other comprehensive income	1,152,534	74,928	8,502
Net Earnings	2,753,233	2,793,703	1,550,390
Comprehensive Income	$ 3,905,767	$ 2,868,631	$ 1,558,892
Supplemental Comprehensive Income Information, net of tax:			
Cumulative foreign currency translation (gain) loss adjustments	$ (853,762)	$ 308,242	$ 635,922
Cumulative minimum pension liability adjustments	302,337	203,182	—
Cumulative unrealized (gains) on marketable equity securities	(95,143)	(9,008)	(29,804)
Cumulative losses (gains) on derivative instruments designated as cash flow hedges	13,816	17,366	(11,408)

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		
	2003	2002	2001

Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 2,753,233	$ 2,793,703	$ 1,550,390
Adjustments to reconcile net earnings to net cash from operating activities —			
Depreciation	910,785	834,923	774,272
Amortization of intangibles	363,206	342,422	393,746
Acquired in-process research and development	100,240	107,700	1,330,400
Investing and financing (gains) losses, net	115,803	134,472	159,936
Trade receivables	(104,922)	(111,533)	(279,167)
Inventories	7,007	(190,975)	(184,953)
Prepaid expenses and other assets	(296,526)	347,101	(962,005)
Trade accounts payable and other liabilities	(165,969)	138,829	732,482
Income taxes payable	63,591	(213,698)	51,747
Net Cash From Operating Activities	3,746,448	4,182,944	3,566,848
Cash Flow From (Used in) Investing Activities:			
Acquisitions of businesses, net of cash acquired	(497,914)	(585,999)	(7,424,356)
Acquisitions of property and equipment	(1,246,741)	(1,296,397)	(1,163,707)
Purchases of investment securities	(289,432)	(156,078)	(179,618)
Proceeds from sales of investment securities	337,017	140,284	309,161
Other	66,465	16,570	73,646
Net Cash Used in Investing Activities	(1,630,605)	(1,881,620)	(8,384,874)
Cash Flow From (Used in) Financing Activities:			
Proceeds from (repayments of) commercial paper, net	(814,000)	(1,306,000)	2,741,000
Proceeds from issuance of long-term debt, net	688,643	—	3,000,000
Other borrowing transactions, net	(342,570)	286,872	1,540
Purchases of common shares	(97,617)	—	(17,364)
Proceeds from stock options exercised	75,035	137,004	169,422
Dividends paid	(1,515,703)	(1,427,850)	(1,270,782)
Net Cash From (Used in) Financing Activities	(2,006,212)	(2,309,974)	4,623,816
Effect of exchange rate changes on cash and cash equivalents	181,043	55,722	(62,630)
Net Increase (Decrease) in Cash and Cash Equivalents	290,674	47,072	(256,840)
Cash and Cash Equivalents, Beginning of Year	704,450	657,378	914,218
Cash and Cash Equivalents, End of Year	$ 995,124	$ 704,450	$ 657,378
Supplemental Cash Flow Information:			
Income taxes paid	$ 897,354	$ 1,032,287	$ 984,079
Interest paid	206,885	265,698	232,431

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		
	2003	2002	2001
Assets			
Current Assets:			
Cash and cash equivalents	$ 995,124	$ 704,450	$ 657,378
Investment securities	291,297	261,677	56,162
Trade receivables, less allowances of — 2003: $259,514; 2002: $198,116; 2001: $195,585	3,313,377	2,927,370	2,812,727
Inventories —			
Finished products	1,467,441	1,274,760	1,154,329
Work in process	545,977	563,659	487,310
Materials	725,021	602,883	570,396
Total inventories	2,738,439	2,441,302	2,212,035
Deferred income taxes	1,165,259	1,022,861	1,112,247
Other prepaid expenses and receivables	1,786,919	1,764,112	1,568,640
Total Current Assets	10,290,415	9,121,772	8,419,189

Investment Securities	406,357	250,779	647,214
Property and Equipment, at Cost:			
Land	356,757	335,566	332,268
Buildings	2,662,023	2,387,583	2,248,959
Equipment	9,479,044	8,790,209	8,097,044
Construction in progress	792,923	634,315	547,134
	13,290,747	12,147,673	11,225,405
Less: accumulated depreciation and amortization	7,008,941	6,319,551	5,673,858
Net Property and Equipment	6,281,806	5,828,122	5,551,547
Intangible Assets, net of amortization	4,089,882	3,919,248	4,116,674
Goodwill	4,449,408	3,732,533	3,177,646
Deferred Income Taxes, Investments in Joint Ventures and Other Assets	1,197,474	1,406,648	1,384,153
	$ 26,715,342	$ 24,259,102	$ 23,296,423

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2003	2002	2001
Liabilities and Shareholders' Investment			
Current Liabilities:			
Short-term borrowings	$ 828,092	$ 1,927,543	$ 2,950,956
Trade accounts payable	1,754,367	1,661,650	1,525,215
Salaries, wages and commissions	625,525	579,689	557,672
Other accrued liabilities	2,180,098	2,202,477	2,285,644
Dividends payable	383,352	367,345	326,552
Income taxes payable	158,836	42,387	278,399
Current portion of long-term debt	1,709,265	221,111	2,379
Total Current Liabilities	7,639,535	7,002,202	7,926,817
Long-term Debt	3,452,329	4,273,973	4,335,493
Post-employment Obligations and Other Long-term Liabilities	2,551,220	2,318,374	1,974,681
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: 2003: 1,580,247,227; 2002: 1,578,944,551; 2001: 1,571,816,976	3,034,054	2,891,266	2,643,443
Common shares held in treasury, at cost — Shares: 2003: 15,729,296; 2002: 15,876,449; 2001: 17,286,684	(229,696)	(231,845)	(252,438)
Unearned compensation — restricted stock awards	(56,336)	(76,472)	(18,258)
Earnings employed in the business	9,691,484	8,601,386	7,281,395
Accumulated other comprehensive income (loss)	632,752	(519,782)	(594,710)

Total Shareholders' Investment	13,072,258	10,664,553	9,059,432
	$ 26,715,342	$ 24,259,102	$ 23,296,423

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		
	2003	2002	2001
Common Shares:			
Beginning of Year			
Shares: 2003: 1,578,944,551; 2002: 1,571,816,976; 2001: 1,563,436,372	$ 2,891,266	$ 2,643,443	$ 2,218,234
Issued under incentive stock programs			
Shares: 2003: 4,186,710; 2002: 7,331,098; 2001: 12,571,697	118,119	202,741	363,492
Tax benefit from option shares and vesting of restricted stock awards (no share effect)	29,980	46,755	70,223
Retired — Shares: 2003: 2,884,034; 2002: 203,523; 2001: 4,191,093	(5,311)	(1,673)	(8,506)
End of Year			
Shares: 2003: 1,580,247,227; 2002: 1,578,944,551; 2001: 1,571,816,976	$ 3,034,054	$ 2,891,266	$ 2,643,443
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2003: 15,876,449; 2002: 17,286,684; 2001: 17,502,239	$ (231,845)	$ (252,438)	$ (255,586)
Issued under incentive stock programs			
Shares: 2003: 147,153; 2002: 1,410,235; 2001: 215,555	2,149	20,593	3,148
End of Year			
Shares: 2003: 15,729,296; 2002: 15,876,449; 2001: 17,286,684	$ (229,696)	$ (231,845)	$ (252,438)
Unearned Compensation — Restricted Stock Awards:			
Beginning of Year	$ (76,472)	$ (18,258)	$ (18,116)
Issued at market value — Shares: 2003: 130,000; 2002: 1,396,000; 2001: 198,000	(5,429)	(78,835)	(10,222)
Lapses — Shares: 2002: 25,105; 2001: 52,000	—	1,362	2,126
Amortization	25,565	19,259	7,954
End of Year	$ (56,336)	$ (76,472)	$ (18,258)
Earnings Employed in the Business:			
Beginning of Year	$ 8,601,386	$ 7,281,395	$ 7,229,586
Net earnings	2,753,233	2,793,703	1,550,390
Cash dividends declared on common shares (per share — 2003: $.98; 2002: $.94; 2001: $.84)	(1,531,710)	(1,468,643)	(1,303,534)
Cost of common shares retired in excess of stated capital amount	(135,390)	(64,066)	(202,926)
Cost of treasury shares issued below market value	3,965	58,997	7,879
End of Year	$ 9,691,484	$ 8,601,386	$ 7,281,395
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (519,782)	$ (594,710)	$ (603,212)
Other comprehensive income	1,152,534	74,928	8,502
End of Year	$ 632,752	$ (519,782)	$ (594,710)

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 wholesalers accounted for 20 percent, 22 percent and 19 percent of trade receivables as of December 31, 2003, 2002 and 2001, respectively.

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 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. Product warranties are not significant.

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. No events occurred related to these foreign subsidiaries in December 2003, 2002 and 2001 that materially affected the financial position or results of operations.

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

LITIGATION — Abbott accounts for litigation losses in accordance with Statement of Financial Accounting Standards (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.

SALES REBATES — Provisions for rebates to customers are provided for in the period the related sales are recorded. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

INCOME TAXES — Deferred income taxes are provided for the tax effect of temporary 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 and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. 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.

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.

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.

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.

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

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

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 of product rights for marketable products are recorded as revenue upon disposition of the rights. Sales incentives to customers are not material. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

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.

STOCK-BASED COMPENSATION — Abbott measures compensation cost using the intrinsic value-based method of accounting for stock options and replacement stock options granted to employees. Restricted stock awards are amortized over their vesting period with a charge to compensation expense.

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

	2003	2002	2001
Other Prepaid Expenses and Receivables:			
TAP Pharmaceutical Products Inc. trade receivables under a service agreement (a)	$ 676,034	$ 685,848	$ 540,914
All other	1,110,885	1,078,264	1,027,726
Total	$ 1,786,919	$ 1,764,112	$ 1,568,640

(a) The payable to TAP related to this service agreement is recorded in accounts payable and was $691,095, $666,422, and $554,156 at December 31, 2003, 2002 and 2001, respectively.

	2003	2002	2001
Other Accrued Liabilities:			
Accrued rebates payable to government agencies	$ 381,898	$ 288,076	$ 279,930
Accrued other rebates (b)	212,459	205,489	232,147
All other	1,585,741	1,708,912	1,773,567
Total	$ 2,180,098	$ 2,202,477	$ 2,285,644

(b) Accrued wholesaler chargeback rebates of $81,292, $81,017 and $72,586 at December 31, 2003, 2002 and 2001, 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.

	2003	2002	2001
Post-employment Obligations and Other Long-term Liabilities:			
Accrued post-employment medical and dental costs	$ 797,127	$ 746,352	$ 692,003
Minimum pension liability adjustments	498,008	342,874	—
All other	1,256,085	1,229,148	1,282,678
Total	$ 2,551,220	$ 2,318,374	$ 1,974,681
Net Interest Expense:			
Interest expense	$ 188,128	$ 238,945	$ 307,336
Interest income	(42,005)	(33,725)	(72,577)
Total	$ 146,123	$ 205,220	$ 234,759
Other (Income) Expense, net:			
Other than temporary declines in market value of equity securities	$ —	$ 210,811	$ 98,500
All other	(32,356)	32,844	(19,959)
Total	$ (32,356)	$ 243,655	$ 78,541

Note 3 — Investment Securities *(dollars in thousands)*

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

	2003	2002	2001
Current Investment Securities			
Time deposits and certificates of deposit	$ 291,297	$ 120,000	$ 20,000
Other, primarily debt obligations issued or guaranteed by various governments or government agencies	—	141,677	36,162
Total	$ 291,297	$ 261,677	$ 56,162

	2003	2002	2001
Long-term Investment Securities			
Equity securities	$ 381,053	$ 222,667	$ 343,115
Time deposits and certificates of deposit	9,729	—	100,000
Corporate debt obligations	—	—	70,000
Debt obligations issued or guaranteed by various governments or government agencies	15,575	28,112	134,099
Total	$ 406,357	$ 250,779	$ 647,214

Of the investment securities listed above, $15,575, $247,998, and $323,974 were held at December 31, 2003, 2002, and 2001, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring in 2015 and 2020.

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.

Gross unrealized holding gains (losses) on current and long-term held-to-maturity investment securities totaled $1,400 and $(2,200), respectively, at December 31, 2003; $1,500 and $(8,500), respectively, at December 31, 2002; and $2,000 and $(17,200), respectively, at December 31, 2001. Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $162,700 and $(4,000), respectively, at December 31, 2003; $24,400 and $(9,200), respectively, at December 31, 2002; and $57,000 and $(1,800), respectively, at December 31, 2001. For current and long-term held-to-maturity securities and available-for-sale equity securities, the adjusted cost basis of the investments have been above the market value for less than one year as of December 31, 2003.

Note 4 — 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 $602 million, $857 million and $571 million at December 31, 2003, 2002 and 2001, 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 $3.6 million and $11.4 million to Accumulated other comprehensive income (loss) in 2003 and 2001, respectively, and a $28.8 million charge to Accumulated other comprehensive income (loss) in 2002. No hedge ineffectiveness was recorded in income in 2003, 2002 or 2001. Accumulated gains and losses as of December 31, 2003 will be included in Cost of products sold at the time the products are sold, generally through the end of 2004.

Abbott is a party to interest rate hedge contracts totaling $3.25 billion to manage its exposure to changes in the fair value of $3.25 billion of fixed-rate debt due in July 2004 and 2006. 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 2003, 2002 and 2001.

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 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, 2003, 2002, and 2001, Abbott held $3.0 billion, $1.9 billion, and $3.1 billion, respectively, of such foreign currency exchange contracts.

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.

2003		2002		2001	
Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value

			(dollars in millions)			
Investment Securities:						
Current	$ 291.3	$ 291.3	$ 261.7	$ 259.4	$ 56.2	$ 56.2
Long-term:						
Held-to-Maturity Debt Securities	25.3	24.5	28.1	23.4	304.1	288.9
Available-for-Sale Equity Securities	381.1	381.1	222.7	222.7	343.1	343.1
Total Long-term Debt	(5,161.6)	(5,407.2)	(4,495.1)	(4,640.4)	(4,337.9)	(4,453.2)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(33.3)	(33.3)	(34.3)	(34.3)	(38.7)	(38.7)
Receivable position	3.0	3.0	16.5	16.5	16.0	16.0
Interest Rate Hedge Contracts	128.7	128.7	160.2	160.2	21.8	21.8

Note 5 — 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		
	2003	2002	2001	2003	2002	2001
Projected benefit obligations, January 1	$ 3,748,425	$ 3,240,523	$ 2,572,226	$ 1,286,831	$ 963,411	$ 741,372
Service cost — benefits earned during the year	192,529	172,191	144,982	43,737	40,541	33,133
Interest cost on projected benefit obligations	247,117	225,509	199,067	69,365	74,093	59,954
Losses (gain), primarily changes in discount and medical trend rates, plan design changes, and differences between actual and estimated health care costs	497,468	220,789	127,509	(100,158)	269,841	165,251
Benefits paid	(169,560)	(144,010)	(132,137)	(57,930)	(61,055)	(43,599)
Acquisition of the pharmaceutical business of BASF	—	—	331,003	—	—	7,300
Other, primarily foreign currency translation	130,342	33,423	(2,127)	—	—	—
Projected benefit obligations, December 31	$ 4,646,321	$ 3,748,425	$ 3,240,523	$ 1,241,845	$ 1,286,831	$ 963,411
Plans' assets at fair value, January 1, principally listed securities	$ 2,373,415	$ 2,643,704	$ 2,828,801	$ —	$ 293	$ 35,335
Actual return on plans' assets	441,307	(310,375)	(198,581)	—	—	4,646
Company contributions	309,473	162,872	44,770	57,930	60,762	3,911
Benefits paid	(169,560)	(144,010)	(132,137)	(57,930)	(61,055)	(43,599)
Acquisition of the pharmaceutical business of BASF	—	—	123,755	—	—	—
Other, primarily foreign currency translation	63,097	21,224	(22,904)	—	—	—
Plans' assets at fair value, December 31	$ 3,017,732	$ 2,373,415	$ 2,643,704	$ —	$ —	$ 293
Projected benefit obligations greater than plans' assets, December 31	$ (1,628,589)	$ (1,375,010)	$ (596,819)	$ (1,241,845)	$ (1,286,831)	$ (963,118)
Unrecognized actuarial losses, net	1,435,733	1,113,438	289,405	718,215	568,340	287,176
Unrecognized prior service cost	13,575	15,047	21,518	(334,662)	(77,861)	(58,079)
Unrecognized transition obligation	280	(295)	(1,062)	—	—	—
Net accrued benefit cost	$ (179,001)	$ (246,820)	$ (286,958)	$ (858,292)	$ (796,352)	$ (734,021)
Accrued benefit cost	$ (883,358)	$ (741,449)	$ (418,133)	$ (858,292)	$ (796,352)	$ (734,021)
Prepaid benefit cost	206,349	151,755	131,175	—	—	—
Intangible assets	22,460	23,700	—	—	—	—
Accumulated other comprehensive income (loss)	475,548	319,174	—	—	—	—
Net accrued benefit cost	$ (179,001)	$ (246,820)	$ (286,958)	$ (858,292)	$ (796,352)	$ (734,021)
Service cost — benefits earned during the year	$ 192,529	$ 172,191	$ 144,982	$ 43,737	$ 40,541	$ 33,133
Interest cost on projected benefit obligations	247,117	225,509	199,067	69,365	74,093	59,954
Expected return on plans' assets	(288,454)	(282,721)	(261,753)	—	—	(1,940)
Net amortization	6,452	4,340	(213)	6,768	10,491	2,589
Net cost	$ 157,644	$ 119,319	$ 82,083	$ 119,870	$ 125,125	$ 93,736

The accumulated benefit obligations for all defined benefit plans was approximately $3,762,000, $3,037,000 and $2,565,000 at December 31, 2003, 2002 and 2001, respectively. In 2003 and 2002, Abbott recorded minimum pension liability adjustments of $155,134 and $342,874, respectively, because the accumulated benefit obligations for certain domestic and international defined benefit plans exceeded the market value of the plans' assets. This resulted in charges to Accumulated other comprehensive income (loss) of $99,155 in 2003 and $203,182 in 2002, net of taxes. For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2003 and 2002, the aggregate accumulated benefit obligations were $3,033,000 and $2,383,000 respectively; the projected benefit obligations were $3,824,000 and $3,053,000, respectively; and the aggregate plan assets were $2,567,000 and $1,981,000, respectively. The weighted average discount rate used at December 31, 2003 for determining the accumulated benefit obligations for defined benefit plans whose accumulated benefit obligations were in excess of plan assets was 5.9 percent. A one-percentage point reduction in the discount rate at December 31, 2003 would result in an increase in the minimum pension liability adjustments and an increase in the charge to Accumulated other comprehensive income (loss) of approximately $780,000 and $500,000, 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:

	2003	2002	2001
Discount rate	5.8%	6.5%	6.9%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.7%

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans for 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Discount rate	6.5%	6.9%	7.3%
Expected return on plan assets	8.6%	9.0%	9.3%
Expected aggregate average long-term change in compensation	4.1%	4.6%	4.9%

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

	2003	2002	2001
Health care cost trend rate assumed for the next year	8%	9%	5%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2007	2007	2001

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, 2003, by $189,955/$(142,466), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $22,837/$(18,041).

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Among the provisions of the Act is a provision granting a subsidy to sponsors of retirement medical plans with prescription drug coverage when the benefit is at least actuarially equivalent to the Medicare Part D benefit. The Financial Accounting Standards Board has not issued final rules specifying how sponsors should account for this subsidy. Abbott has not estimated the

expected favorable impact of the legislation on its retiree medical obligations or costs, and therefore has not reflected any effect of the legislation in the financial statements. The final rules, when issued by the Financial Accounting Standards Board, could require companies, including Abbott, to retroactively change amounts included in the accompanying consolidated financial statements.

The weighted average asset allocation for Abbott's U.S. defined benefit plans by asset category are as follows:

	2003	2002	2001
Asset Category			
Equity Securities	68%	60%	63%
Fixed Income Securities	32	40	37
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.

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 2003 and 2002, $200,000 and $106,000, respectively, was funded to the main domestic pension plan. Abbott expects to contribute between $250 million and $300 million to its main domestic defined benefit plan in 2004.

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $115,000 in 2003, $109,000 in 2002, and $97,000 in 2001.

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 6 — Taxes on Earnings *(dollars in thousands)*

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $5,194,000 at December 31, 2003. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. Abbott's U.S. income tax returns for 1992 and prior years have been audited by the Internal Revenue Service and are closed. In the U.S., Abbott's income tax returns for years after 1992 are open.

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

Earnings Before Taxes	**2003**	**2002**	**2001**
Domestic	$ 1,882,831	$ 2,502,823	$ 442,150
Foreign	1,851,586	1,170,590	1,440,998
Total	$ 3,734,417	$ 3,673,413	$ 1,883,148

Taxes on Earnings	**2003**	**2002**	**2001**
Current:			
U.S. Federal and Possessions	$ 578,407	$ 442,891	$ 633,684
State	29,662	19,324	74,087
Foreign	409,773	324,250	388,950
Total current	1,017,842	786,465	1,096,721
Deferred:			
Domestic	26,911	111,429	(741,213)
Foreign	(63,221)	(16,260)	(21,563)
Enacted tax rate changes	(348)	(1,924)	(1,187)
Total deferred	(36,658)	93,245	(763,963)
Total	$ 981,184	$ 879,710	$ 332,758

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

	2003	**2002**	**2001**
Statutory tax rate	35.0%	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico, Costa Rica, the Netherlands, the Dominican Republic, and Ireland	(9.1)	(7.3)	(14.6)
Effect of nondeductible portion of the Ross enteral nutritional settlement	3.7	—	—
State taxes, net of federal benefit	0.5	0.4	0.8
Domestic dividend exclusion	(4.4)	(5.1)	(5.0)
All other, net	0.6	1.0	1.5
Effective tax rate	26.3%	24.0%	17.7%

As of December 31, 2003, 2002, and 2001, total deferred tax assets were $2,505,502, $2,375,526 and $2,412,064, respectively, and total deferred tax liabilities were $1,075,209, $904,822, and $913,614,

respectively. Valuation allowances for deferred tax assets were not significant. The temporary differences that give rise to deferred tax assets and liabilities were as follows:

	2003	2002	2001
Compensation and employee benefits	$ 539,668	$ 544,148	$ 434,549
Trade receivable reserves	252,559	209,899	219,387
Inventory reserves	163,492	127,173	140,762
Deferred intercompany profit	380,854	240,463	254,276
State income taxes	68,489	91,140	100,265
Depreciation	(203,019)	(183,410)	(168,499)
Other, primarily acquired in-process research and development and other accruals and reserves not currently deductible, and the excess of book basis over tax basis of intangible assets	226,200	435,397	504,649
Total	$ 1,428,243	$ 1,464,810	$ 1,485,389

Note 7 — 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. 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.

HOSPITAL PRODUCTS — U.S. sales of intravenous and irrigation fluids and related administration equipment, drugs and drug-delivery systems, anesthetics, critical care products, and other medical specialty products for hospitals and alternate-care sites.

ROSS PRODUCTS — 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, hospital and nutritional products. Products sold by International are manufactured by domestic segments and by international manufacturing locations.

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. 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		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Pharmaceutical (a)	$ 5,220	$ 4,268	$ 3,759	$ 1,664	$ 1,441	$ 1,409	$ 69	$ 55	$ 34	$ 64	$ 60	$ 23	$ 2,406	$ 2,279	$ 2,014
Diagnostic (b)	3,040	2,897	2,929	249	220	357	202	149	182	301	295	249	3,127	2,753	2,736
Hospital	3,078	2,979	2,778	705	786	738	127	111	107	223	315	164	2,153	2,202	1,934
Ross	2,136	2,088	2,088	720	688	752	65	64	67	93	93	70	959	871	889
International (a)(b)	5,685	5,036	4,418	1,366	1,298	949	217	187	111	297	375	255	4,559	3,849	3,632
Total Reportable Segments	19,159	17,268	15,972	$ 4,704	$ 4,433	$ 4,205	$ 680	$ 566	$ 501	$ 978	$ 1,138	$ 761	$ 13,204	$ 11,954	$ 11,205
Other	522	417	313												
Net Sales	$ 19,681	$ 17,685	$ 16,285												

(a) Net sales and operating earnings were favorably impacted in 2002 and 2001 by the acquisition of the pharmaceutical business of BASF in 2001.

(b) Net sales and operating earnings in 2003 were favorably affected by the relatively weaker U.S. dollar and were unfavorably affected in 2002 and 2001 by the relatively stronger U.S. dollar.

	2003	2002	2001
Total Reportable Segment Operating Earnings	$ 4,704	$ 4,433	$ 4,205
Corporate functions	289	215	261
Benefit plans costs	77	43	101
Non-reportable segments	39	6	9
Net interest expense	146	205	235
Acquired in-process research and development	100	108	1,330
(Income) from TAP Pharmaceutical Products Inc. joint venture	(581)	(667)	(334)
Net foreign exchange (gain) loss	55	75	31
Other expenses, net (c)	845	775	689

Consolidated Earnings Before Taxes	$ 3,734	$ 3,673	$ 1,883

(c) Other expenses, net for 2003 includes charges of $622 for the settlement of the Ross enteral nutritional investigation and $88 for impairments of assets. 2002 includes charges of $174 for restructuring plans, $116 for the FDA consent decree, and $211 for other than temporary declines in the market value of equity securities.

Total Reportable Segment Assets	$ 13,204	$ 11,954	$ 11,205
Cash and investments	1,693	1,217	1,361
Investment in TAP Pharmaceutical Products Inc. joint venture	340	370	392
Current deferred income taxes	1,165	1,023	1,112
Non-reportable segments	582	503	645
All other, net	9,731	9,192	8,581
Total Assets	$ 26,715	$ 24,259	$ 23,296

	Net Sales to External Customers (d)			Long-Term Assets		
	2003	2002	2001	2003	2002	2001
United States	$ 11,978	$ 10,998	$ 10,249	$ 7,071	$ 8,228	$ 8,308
Japan	913	784	748	1,004	308	128
Germany	796	721	644	5,332	4,257	4,185
Canada	597	512	468	66	53	50
The Netherlands	572	446	349	129	109	97
Italy	680	572	496	253	185	152
All Other Countries	4,145	3,652	3,331	2,570	1,997	1,957
Consolidated	$ 19,681	$ 17,685	$ 16,285	$ 16,425	$ 15,137	$ 14,877

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

Note 8 — Litigation and Environmental Matters

Abbott is involved in various claims and legal proceedings including a number of antitrust suits and investigations in connection with the pricing of prescription pharmaceuticals. These suits and investigations allege that various pharmaceutical manufacturers have conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies by providing discounts to mail-order pharmacies, institutional pharmacies and HMOs in violation of state and federal antitrust laws. The suits have been brought on behalf of retail pharmacies and name certain pharmaceutical manufacturers, including Abbott, as defendants. The cases seek treble damages, civil penalties, and injunctive and other relief. Abbott has filed a response to each of the complaints denying all substantive allegations.

The U.S. Attorney's office in the Southern District of Illinois is conducting an industry-wide investigation of the enteral nutritional business. The investigation is both civil and criminal in nature. In 2003, Abbott reached a settlement with the U.S. Attorney resolving all outstanding allegations by the government, and paid the settlement amount of $614 million, which is classified as Selling, general and administration expense. Additional costs related to the settlement of $8 million are classified as Cost of products sold.

There are several lawsuits pending in connection with the sales of *Hytrin*. These suits allege 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. Some of the suits also allege that Abbott violated various state or federal laws by filing frivolous patent infringement lawsuits to protect *Hytrin* from generic competition. The cases seek treble damages, civil penalties and other relief. Abbott has filed or intends to file a response to each of the complaints denying all substantive allegations.

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 discussed in this note and in Note 9, Abbott estimates the range of possible loss to be from approximately $125 million to $200 million. Abbott has recorded reserves of approximately $140 million 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 9 — TAP Pharmaceutical Products Inc.

TAP Pharmaceutical Products Inc. (TAP) and Abbott 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*. Abbott has filed or intends to file a response to each of the lawsuits denying all substantive allegations.

In 2001, TAP entered into an agreement with the U.S. government to settle matters relating to its investigation involving TAP's marketing of its prostate cancer drug, *Lupron*. In 2001, Abbott's income from the TAP joint venture was reduced by a charge of $274 million relating to this investigation.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by TAP and Abbott. 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 10 — Restructuring Plans and Asset Impairments *(dollars in millions)*

In October 2002, Abbott announced restructuring plans to align Abbott's global manufacturing operations with its scientific focus and to achieve greater operating efficiencies in its Diagnostic Products and International segments and recorded a pretax charge of $174, reflecting the impairment of manufacturing facilities and other assets, and employee severance charges. Approximately $83 is classified as Cost of products sold, $5 as Research and development, and $86 as Selling, general and administrative. The restructuring plans resulted in the elimination of approximately 2,100 net positions. Employee groups covered under the restructuring plans included manufacturing, research and development, and sales and administrative-related functions. The following summarizes the restructuring activity:

	Employee-Related and Other	Asset Impairments	Total
2002 Restructuring charges	$ 141	$ 33	$ 174
2002 Payments and impairments	(37)	(33)	(70)
Accrued balance at December 31, 2002	104	—	104
2003 Payments, changes in estimate and foreign currency translation	(81)	—	(81)
Accrued balance at December 31, 2003	$ 23	$ —	$ 23

The accrued balance at December 31, 2003 relates primarily to employee severance obligations, which, by local laws must be paid over time.

In 2001 and 2002, Abbott implemented restructuring plans related to the operations of the acquired pharmaceutical business of BASF. In addition, Abbott announced in 2001 that it was closing one of Abbott's manufacturing operations and relocating production to other Abbott facilities. The following summarizes the restructuring activity:

	Employee-Related and Other	Asset Impairments	Total
2001 Restructuring charges	$ 195	$ 12	$ 207
2001 Payments and impairments	(106)	(12)	(118)
Accrued balance at December 31, 2001	89	—	89
2002 Restructuring charges	59	—	59
2002 Payments and foreign currency translation	(80)	—	(80)
Accrued balance at December 31, 2002	68	—	68
2003 Payments, changes in estimate and foreign currency translation	(57)	—	(57)
Accrued balance at December 31, 2003	$ 11	$ —	$ 11

In 2002, the $59 restructuring charge was recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. In 2001, of the total $207 restructuring charges, $156 was recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. Of the amount expensed, approximately $36 is classified as Cost of products sold, $2 as Research and development, and $13 as Selling, general and administrative. Employee-related costs are primarily severance pay, relocation of former BASF employees and outplacement services. The restructuring plans resulted in the elimination of approximately 2,400 positions. Employee groups covered under the restructuring plans included manufacturing, research and development, and sales and administrative-related functions. The accrued balance at December 31, 2003 relates primarily to employee severance obligations, which, by local laws must be paid over time.

In 2003, Abbott recorded a charge to Cost of products sold of approximately $88 million for an impairment of assets and other expenses as a result of a lower sales forecast for *Abbokinase*.

Note 11 — 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, 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 2003, Abbott granted 24,619,775 stock options, 2,845,210 replacement stock options, and 147,153 restricted stock awards 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 2003, 2002 and 2001 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. 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. The expected spin-off of Hospira, as discussed in Note 18, will not be a change in control under the plan.

At January 1, 2004, 41.8 million shares were reserved for future grants under the 1996 Program. Subsequent to year-end, the Board of Directors granted approximately 20.3 million stock options from this reserve.

	Options Outstanding		Exercisable Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
January 1, 2001	77,094,181	$ 33.59		
Granted	23,118,789	48.64		
Exercised	(12,571,690)	28.30		
Lapsed	(1,369,321)	42.58		
December 31, 2001	86,271,959	38.25	50,383,606	$ 34.13
Granted	24,688,761	56.11		
Exercised	(10,068,863)	28.09		
Lapsed	(1,211,101)	48.22		
December 31, 2002	99,680,756	43.58	59,224,392	38.48
Granted	27,464,985	36.56		
Exercised	(7,032,966)	29.08		
Lapsed	(2,602,110)	47.58		
December 31, 2003	117,510,665	$ 42.71	71,944,163	$ 41.80

	Options Outstanding at December 31, 2003			Exercisable Options at December 31, 2003	
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$12 to $38	52,386,393	6.4	$ 33.24	29,356,958	$ 31.56
39 to 49	38,992,265	6.7	46.41	30,469,163	46.31
50 to 58	26,132,007	7.9	56.18	12,118,042	55.26
$12 to $58	117,510,665	6.8	$ 42.71	71,944,163	$ 41.80

Abbott measures 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:

	2003	2002	2001
Net income, as reported	$ 2.8	$ 2.8	$ 1.6
Compensation cost under fair value-based accounting method, net of tax	(0.3)	(0.2)	(0.2)
Net income, pro forma	$ 2.5	$ 2.6	$ 1.4
Basic EPS, as reported	$ 1.76	$ 1.79	$ 1.00
Basic EPS, pro forma	1.62	1.65	0.89
Diluted EPS, as reported	1.75	1.78	0.99
Diluted EPS, pro forma	1.62	1.65	0.88
Reported diluted EPS higher than pro forma diluted EPS	0.13	0.13	0.11

The weighted average fair value of an option granted in 2003, 2002 and 2001 was $8.73, $16.47, and $13.31, 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:

	2003	2002	2001
Risk-Free Interest Rate	2.7%	4.5%	4.9%
Average Life of Options (years)	5.4	5.4	5.4
Volatility	32.0%	28.0%	27.0%

Dividend Yield	2.8%	1.6%	2.0%

Note 12 — U.S. Food and Drug Administration Consent Decree

Under terms of a 1999 consent decree with the U.S. government, Abbott was prohibited from manufacturing certain diagnostic products for sale in the U.S. until its Lake County, Ill. manufacturing facilities were found to be in substantial conformity with the Food and Drug Administration's (FDA) Quality System Regulation. In December of 2003, the FDA found the facilities to be in substantial conformity and Abbott can start the process of manufacturing impacted products for sale in the U.S. In connection with the consent decree, Abbott recorded remediation costs and payments to the government, including a pretax charge of $129 million in 2002.

Note 13 — Debt and Lines of Credit *(dollars in thousands)*

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

	2003	2002	2001
5.6% debentures, due 2003	$ —	$ —	$ 200,000
5.125% debentures, due 2004	—	1,650,000	1,650,000
6.8% debentures, due 2005	150,000	150,000	150,000
5.625% debentures, due 2006	1,600,000	1,600,000	1,600,000
6.4% debentures, due 2006	250,000	250,000	250,000
0.77% Yen notes, due 2007	91,324	—	—
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	456,621	—	—
1.51% Yen notes, due 2010	136,986	—	—
1.95% Yen notes, due 2013	228,311	—	—
Other, including fair market value adjustments relating to interest rate hedge contracts designated as fair value hedges	139,087	223,973	85,493
Total, net of current maturities	3,452,329	4,273,973	4,335,493
Current maturities of long-term debt, including fair market value adjustments relating to interest rate hedge contracts designated as fair value hedges	1,709,265	221,111	2,379
Total carrying amount	$ 5,161,594	$ 4,495,084	$ 4,337,872

Principal payments required on long-term debt outstanding at December 31, 2003, are $1,656,772 in 2004, $154,587 in 2005, $1,854,275 in 2006, $91,994 in 2007, $858,189 in 2008, and $417,053 thereafter.

At December 31, 2003, 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 was 1.1% at December 31, 2003 and 2002 and 1.9% at December 31, 2001.

Note 14 — Business Combinations and Technology Acquisitions

In 2003, 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. In 2003, 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, will be amortized over 9 to 25 years (average of approximately 16 years). Had these acquisitions taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

In 2002, Abbott acquired the cardiovascular stent business of Biocompatibles International plc and certain cardiovascular stent technology rights from Medtronic, Inc. In addition, Abbott acquired an additional 28.8 percent of the issued common shares of Hokuriku Seiyaku Co., Ltd., resulting in Abbott

owning substantially all of the common shares of Hokuriku Seiyaku Co., Ltd. The aggregate cash purchase price ($586 million) of these strategic business and technology acquisitions resulted in a pretax charge for acquired in-process research and development of approximately $108 million, intangible assets of approximately $145 million and non-tax deductible goodwill of approximately $257 million. Acquired intangible assets, primarily product technology, are amortized over 4 to 13 years (average of approximately 8 years). Had these acquisitions taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

On March 2, 2001, Abbott acquired, for cash, the pharmaceutical business of BASF, which included the global operations of Knoll Pharmaceuticals, for approximately $7.2 billion. This acquisition was financed primarily with short- and long-term borrowings and is accounted for under the purchase method of

accounting. The acquisition cost has been allocated to intangible assets, $3.5 billion; goodwill, $2.4 billion; acquired in-process research and development, $1.2 billion; and net tangible assets, $0.1 billion, based on an independent appraisal of fair values. Product rights for marketed products are amortized on a straight-line basis over 10 to 16 years (average 13 years), and goodwill was amortized in 2001 on a straight-line basis over 20 years. Acquired in-process research and development was charged to expense in 2001. The net tangible assets acquired consist primarily of property and equipment of approximately $630 million, trade accounts receivable of approximately $402 million, and inventories of approximately $275 million, net of assumed liabilities, primarily trade accounts payable and other liabilities. Prior to the date of acquisition, Abbott began to plan for the integration and restructuring of the business. In 2001 and 2002, Abbott formally approved several restructuring plans and certain costs of implementing formally approved plans have been included as goodwill. Had this acquisition taken place on January 1, 2000, pro forma consolidated sales would have been $16.7 billion, pro forma net income would have been $2.3 billion and pro forma diluted earnings per share would have been $1.46.

In 2001, Abbott acquired, for cash, all of the outstanding common stock of Vysis, Inc., a leading genomic disease management company. Of the cash acquisition cost of approximately $362 million, $162 million was allocated to developed technology, which is amortized over 15 years, and $143 million was charged against earnings in 2001 for acquired in-process research and development. The remaining acquisition cost was allocated to net tangible assets and goodwill. Had this acquisition taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

Note 15 — Goodwill and Intangible Assets *(dollars in millions except per share amounts)*

Effective with the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002, goodwill is no longer subject to amortization over its estimated useful life. Goodwill is subject to at least an annual assessment of impairment by applying a fair-value-based test. Abbott assesses goodwill impairment in the third quarter of each year. Had goodwill and certain intangible assets not been subject to amortization in 2001, the transitional pro forma net income would have been higher by approximately $106 and transitional pro forma diluted earnings per share would have been higher by $0.07.

Abbott recorded goodwill of $182 and $316 in 2003 and 2002, respectively, related to acquisitions. Foreign currency translation adjustments increased goodwill in 2003 and 2002 by approximately $522 and $251, respectively. There were no reductions of goodwill in 2003 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 $4,841, $4,504, and $4,359 as of December 31, 2003, 2002 and 2001, respectively, and accumulated amortization was $899, $733, and $390 as of December 31, 2003, 2002 and 2001, respectively. The net amount of intangible assets with indefinite lives, primarily registered trade names, not subject to

amortization was $148 at December 31, 2003, 2002 and 2001. The estimated annual amortization expense for intangible assets is $374 in 2004, $367 in 2005, $364 in 2006, $351 in 2007, and $328 in 2008. Intangible assets are amortized on a straight-line basis over 4 to 25 years (average 14 years).

Note 16 — 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 $340, $370, and $392 at December 31, 2003, 2002, and 2001, respectively. Dividends received from TAP were $606, $695, and $433 in 2003, 2002, and 2001, respectively. Abbott's income from the TAP joint venture is recognized net of consolidating adjustments. Abbott performs certain administrative, selling 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		
	2003	2002	2001
Net sales	$ 3,979.6	$ 4,037.4	$ 3,787.2
Cost of sales	1,066.8	884.1	938.6
Income before taxes	1,815.5	2,081.4	1,204.1
Net income	1,161.9	1,333.5	669.9

	December 31		
	2003	2002	2001
Current assets	$ 1,451.6	$ 1,176.8	$ 1,191.2
Total assets	1,718.1	1,580.3	1,568.3
Current liabilities	965.8	791.6	713.1
Total liabilities	1,037.2	839.8	804.7

Undistributed earnings of investments accounted for under the equity method amounted to $315 as of December 31, 2003.

Note 17 — 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, 2003.

Note 18 — Spin-off of Abbott's Core Hospital Products Business

In August 2003, Abbott announced a plan to create a separate publicly traded company for its existing core hospital products business. The new company, Hospira, Inc., will include 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, which is expected to be spun off by Abbott in the first half of 2004 pending final approval of the distribution by Abbott's Board of Directors, will include most of Abbott's Hospital Products segment and portions of Abbott's International segment. All of the shares of Hospira's common stock will be distributed

to Abbott shareholders in a tax-free distribution on a pro-rata basis. Abbott has received a ruling from the Internal Revenue Service that the spin-off qualifies as a tax-free distribution. Hospira will borrow or assume approximately $750 million of debt, the proceeds of which will be retained by Abbott to pay down domestic commercial paper borrowings. Hospira has filed a preliminary Form 10 with the Securities and Exchange Commission which includes 2002 unaudited pro forma annual net sales of approximately $2.4 billion, unaudited pro forma annual earnings before income taxes of approximately $350 million and annual net cash flow from operating and investing activities of approximately $340 million. Subsequent to the spin-off, the financial results of Hospira will be presented as discontinued operations in Abbott's financial statements.

Note 19 — Quarterly Results (Unaudited) ***(dollars in millions except per share data)***

	2003	2002	2001
First Quarter			
Net Sales	$ 4,580.5	$ 4,189.3	$ 3,559.9
Gross Profit	2,382.7	2,293.2	1,916.6
Net Earnings (Loss)(a)	801.0	854.3	(223.6)
Basic Earnings (Loss) Per Common Share(a)	.51	.55	(.14)
Diluted Earnings (Loss) Per Common Share(a)	.51	.54	(.14)
Market Price Per Share-High	40.85	58.00	50.55
Market Price Per Share-Low	33.75	51.40	42.00
Second Quarter			
Net Sales	$ 4,723.6	$ 4,314.9	$ 4,099.1
Gross Profit	2,452.8	2,148.3	2,116.1
Net Earnings(b)	246.6	592.3	529.0
Basic Earnings Per Common Share(b)	.16	.38	.34
Diluted Earnings Per Common Share(b)	.16	.38	.34
Market Price Per Share-High	46.94	55.23	54.00
Market Price Per Share-Low	37.57	35.25	43.43
Third Quarter			
Net Sales	$ 4,845.9	$ 4,341.2	$ 4,181.2
Gross Profit	2,499.1	2,273.7	2,140.3
Net Earnings	761.2	720.1	631.4
Basic Earnings Per Common Share	.49	.46	.41
Diluted Earnings Per Common Share	.48	.46	.40
Market Price Per Share-High	45.09	43.85	53.82
Market Price Per Share-Low	37.65	29.80	46.35
Fourth Quarter			
Net Sales	$ 5,530.6	$ 4,839.3	$ 4,445.1
Gross Profit	2,872.5	2,463.2	2,364.0
Net Earnings	944.4	627.0	613.6
Basic Earnings Per Common Share	.60	.40	.39
Diluted Earnings Per Common Share	.60	.40	.39
Market Price Per Share-High	47.15	46.08	57.17
Market Price Per Share-Low	39.95	36.26	50.40

(a) First-quarter 2001 included a pretax charge for acquired in-process research and development of $1,015 related to the acquisition of the pharmaceutical business of BASF.

(b) Second-quarter 2003 included a pretax charge of $622 for the settlement of the Ross enteral nutritional investigation.

Reports of Independent Public Accountants

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, 2003 and 2002, and the related consolidated statements of earnings and comprehensive income, 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. The consolidated financial statements of the Company as of and for the year ended December 31, 2001, prior to the addition of certain 2001 disclosures discussed in Note 5 and Note 15, were audited by other auditors who have ceased operations. Those auditors expressed in their report dated January 15, 2002 an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15, effective January 1, 2002, the Company changed its method of accounting for goodwill and intangible assets upon adoption of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets."

As discussed above, the consolidated financial statements of the Company as of and for the year ended December 31, 2001 were audited by other auditors who have ceased operations. These consolidated financial statements have been revised to include the disclosures required by SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" as revised in 2003. We audited certain 2001 disclosures in Note 5. As described in Note 15, these consolidated financial statements have also been revised to include the transitional disclosures required by SFAS No. 142, "Goodwill and Other Intangible Assets." We audited the transitional disclosures in Note 15. In our opinion, the additional 2001 disclosures in Note 5 and the transitional disclosures for 2001 in Note 15 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Chicago, Illinois
February 11, 2004

To the Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheet of Abbott Laboratories (an Illinois corporation) and Subsidiaries as of December 31, 2001, 2000, and 1999, and the related consolidated statement of earnings and comprehensive income, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of Abbott's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbott Laboratories and Subsidiaries as of December 31, 2001, 2000, and 1999, 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.

Arthur Andersen LLP (1)

Chicago, Illinois
January 15, 2002

(1) This report is a copy of the previously issued report covering 2001, 2000 and 1999. The predecessor auditors have not reissued their report.

Management Report on Financial Statements

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

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

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

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

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

TAP Pharmaceutical Products Inc.

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

	Years Ended December 31		
	2003	2002	2001
			(Unaudited)
Net Sales	$ 3,979,629	$ 4,037,415	$ 3,787,221
Cost of Sales	1,066,760	884,145	938,586
Gross Profit	2,912,869	3,153,270	2,848,635
Selling, General and Administrative	923,382	898,874	1,466,504
Research and Development	179,903	182,456	228,307
Income from Operations	1,809,584	2,071,940	1,153,824
Other Income (Expense):			
Interest income	9,712	15,165	52,393
Other expense, net	(3,832)	(5,663)	(2,068)
Income Before Taxes	1,815,464	2,081,442	1,204,149
Provision for Income Taxes	653,566	747,897	534,223
Net Income	1,161,898	1,333,545	669,926
Other Comprehensive Income:			
Net unrealized (loss) gain on investment and forward contracts	(10,085)	33,252	(20,846)
Comprehensive Income	$ 1,151,813	$ 1,366,797	$ 649,080

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Statements of Cash Flows
(dollars in thousands)

	Years Ended December 31		
	2003	2002	2001
			(Unaudited)
Cash Flows From Operating Activities:			
Net income	$ 1,161,898	$ 1,333,545	$ 669,926
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	35,518	24,198	26,906
Deferred income taxes	28,791	2,616	55,578
Other comprehensive income	(10,085)	33,252	(20,846)
Changes in assets and liabilities:			
Accounts receivable	40,568	(137,709)	(4,108)
Inventories	(43,807)	(10,240)	36,108
Prepaid expenses and other assets	7,122	(43,030)	(39,219)
Accounts payable and accrued liabilities	(17,794)	56,666	(297,857)
Accrued rebates	181,737	13,772	(31,879)
Accrued compensation and benefits	(7,657)	11,719	12,879
Incentive stock program	(6,063)	(47,006)	22,844
Net Cash Flows From Operating Activities	1,370,228	1,237,783	430,332
Cash Flows From (Used in) Investing Activities:			
Proceeds from maturities of investments	373,488	97,341	177,044
Purchases of investments	(120,000)	(209,181)	—

Capital expenditures	(7,078)	(12,619)	(15,500)
Net Cash Flows From (Used in) Investing Activities	246,410	(124,459)	161,544
Cash Flows (Used in) Financing Activities:			
Dividends paid	(1,211,414)	(1,389,889)	(864,121)
Cash Flows (Used in) Financing Activities	(1,211,414)	(1,389,889)	(864,121)
Net Increase (Decrease) in Cash and Cash Equivalents	405,224	(276,565)	(272,245)
Cash and Cash Equivalents — Beginning of Year	201,152	477,717	749,962
Cash and Cash Equivalents — End of Year	$ 606,376	$ 201,152	$ 477,717
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for income taxes	$ 505,004	$ 753,690	$ 534,443

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	December 31	
	2003	2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 606,376	$ 201,152
Short-term investments	5,610	62,840
Accounts receivable, net of allowances: 2003 — $37,824; 2002 — $27,764	580,562	621,130
Inventories	168,506	124,699
Deferred income taxes	23,542	89,296
Prepaid expenses and other assets	67,008	77,699
Total Current Assets	1,451,604	1,176,816
Property and Equipment, net	119,640	87,661
Intangible and Other Assets, net	8,600	19,922
Long-Term Investments	77,000	271,648
Deferred Income Taxes	61,247	24,284
	$ 1,718,091	$ 1,580,331
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 127,977	$ 128,361
Payable to Takeda	101,205	119,023
Payable to Abbott	141,772	237,127
Accrued rebates	412,787	231,050
Income taxes payable	129,062	15,342
Accrued compensation and benefits	53,022	60,679
Total Current Liabilities	965,825	791,582
Other Liabilities	71,357	48,239
Commitments and Contingencies		
Total Liabilities	1,037,182	839,821
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 income	2,321	12,406
Retained earnings	632,639	682,155
Total Shareholders' Equity	680,909	740,510
	$ 1,718,091	$ 1,580,331

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2003, 2002 and 2001
(dollars in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2001 (Unaudited)	200	$ 39,500	$ 6,449	$ —	$ 932,694	$ 978,643
Net income (unaudited)	—	—	—	—	669,926	669,926
Net unrealized loss on option and forward contracts (unaudited)	—	—	—	(20,846)	—	(20,846)
Dividends (unaudited)	—	—	—	—	(864,121)	(864,121)
Balance, December 31, 2001 (Unaudited)	200	39,500	6,449	(20,846)	738,499	763,602
Net income	—	—	—	—	1,333,545	1,333,545
Net unrealized gain on option and forward contracts, net of taxes of $7,444	—	—	—	33,252	—	33,252
Dividends	—	—	—	—	(1,389,889)	(1,389,889)
Balance, December 31, 2002	200	39,500	6,449	12,406	682,155	740,510
Net income	—	—	—	—	1,161,898	1,161,898
Net unrealized loss on investment 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

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2003, 2002 and 2001 (Unaudited)
(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 Chemical Industries, Ltd., a Japanese corporation (collectively Takeda). TAP is headquartered in Lake Forest, Illinois and has approximately 3,200 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 for 2003, 2002 and 2001 are as follows:

	2003	2002	2001
			(Unaudited)
Prevacid	$ 3,190,220	$ 3,157,464	$ 2,951,254
Lupron	787,768	876,046	832,782

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 wholesale distributors accounted for more than 10% of TAP's gross sales in 2003, 2002 and 2001 as follows:

	2003	2002	2001
			(Unaudited)

Wholesale distributor A	25%	22%	20%
Wholesale distributor B	24%	20%	22%
Wholesale distributor C	17%	13%	18%

TAP 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.

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 income.

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

	2003	2002
Finished goods	$ 83,318	$ 64,751
Work-in-process	85,188	59,948
Total inventories	$ 168,506	$ 124,699

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

Computer software that is either purchased or developed for use by TAP is capitalized and amortized over a useful life of three to ten 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.

INTANGIBLE ASSET — The intangible asset consists of a purchased patent license at a cost of $136,134, less accumulated amortization of $129,494 and $116,212 at December 31, 2003 and 2002, respectively. The patent license is being amortized straight-line over the remaining life of the patent. Annual amortization expense recognized was $13,282 in 2003, 2002 and 2001 (unaudited). The intangible asset will be fully amortized in 2004.

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). 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 $344,141, $341,562 and $268,816 (unaudited) for 2003, 2002 and 2001, 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 existing assets and liabilities.

RECLASSIFICATIONS — Certain minor reclassifications and additional disclosures 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:

	2003	2002
Land and land improvements	$ 13,337	$ 13,337
Building	17,884	17,884
Leasehold improvements	8,067	8,067
Furniture and fixtures	33,849	32,846
Computer hardware and software	74,468	66,962
Construction-in-progress	2,415	4,386
Automobiles under capital leases	54,486	—
Property and equipment	204,506	143,482
Less accumulated depreciation and amortization	(84,866)	(55,821)
Property and equipment, net	$ 119,640	$ 87,661

TAP leases certain administrative and regional sales offices, equipment, and automobiles under non-cancelable leases, which expire at various dates through 2008. Lease expense totaled $5,220, $12,541

and $13,729 (unaudited) for 2003, 2002 and 2001, respectively. Future minimum lease payments under non-cancelable leases as of December 31, 2003 consist of the following:

2004	$ 15,800
2005	12,753
2006	9,080
2007	2,655
Thereafter	139
Total	$ 40,427

Note 4. Foreign Currency Contracts

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 income, 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, 2003 and 2002, TAP had outstanding foreign exchange forward contracts with notional values of $39,840 and $430,774, respectively, and fair values of $921 and $16,761, respectively. TAP also had outstanding option contracts at December 31, 2002 with a notional value of $213,628 and a fair value of $10,226. The fair value of these contracts is recorded as other assets. The net accumulated gain on foreign currency contracts of $2,505 (net of taxes of $1,503) at December 31, 2003 is recorded in Accumulated other comprehensive income and will be reclassified to earnings during 2004 as inventories are sold. During 2003 and 2002, cash flow hedge ineffectiveness was not material. All foreign currency forward contracts outstanding at December 31, 2003 will mature in 2004.

Note 5. Investments

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

	2003	2002
Short-term investments:		

Debt obligations issued by governmental agencies	$ —	$ 58,840
Restricted funds on deposit	4,000	4,000
Marketable equity securities	1,610	—
Total	$ 5,610	$ 62,840
Long-term investments:		
Debt obligations issued by governmental agencies, maturing through June 2005	$ 75,000	$ 55,000
Restricted funds on deposit	2,000	216,648
Total	$ 77,000	$ 271,648

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 as of December 31, 2003 was $74,978. Restricted funds represent funds in a short-term money market account, which approximates fair value (see Note 7 for further details).

Note 6. 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 7 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 2003 and 2002 of $16,520 and $8,392, respectively, to the plan. TAP's contribution to the Abbott Laboratories Stock Retirement Plan is based on participating employee contributions and compensation. TAP's contributions for 2003, 2002, and 2001 were $11,251, $9,824 and $7,341 (unaudited), 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 records an estimate of liability for incurred but not reported claims. 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:

	2003	2002
Change in benefit obligations:		
Projected benefit obligations, January 1	$ 20,672	$ 14,476
Service cost	2,149	2,028
Interest cost	978	1,037
Plan amendments	(6,667)	(954)
Actuarial loss	3,703	4,247
Benefits paid	(246)	(162)
Projected benefit obligations, December 31	$ 20,589	$ 20,672
Reconciliation of funded status:		
Unfunded status	$ (20,589)	$ (20,672)
Unrecognized net actuarial loss	12,853	9,545
Unrecognized prior service cost	(8,346)	(2,080)
Accrued post-employment benefit liability, December 31	$ (16,082)	$ (13,207)

The components of net cost are as follows:

	2003	2002	2001
			(Unaudited)
Service cost	$ 2,149	$ 2,028	$ 1,614
Interest cost	978	1,037	796
Net amortization	(6)	107	69
Net cost	$ 3,121	$ 3,172	$ 2,479

The assumptions used to determine benefit obligations for medical and dental plans as of December 31, the measurement date for the plan, is as follows:

	2003	2002

Discount rate	6.00%	6.75%

The assumptions used to determine net cost for medical and dental plans for 2003, 2002 and 2001 are as follows:

	2003	2002	2001
			(Unaudited)
Discount rate	6.75%	7.25%	7.50%

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

	2003	2002	2001
			(Unaudited)
Health care cost trend rate assumed for the next year	8%	9%	5%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2007	2007	2001

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, 2003 by approximately $5,312 and $(3,825), respectively, and the total of the service and interest cost components of net post-employment benefit cost for the year then ended by approximately $973 and $(769), respectively.

On December 8, 2003, the President of the United States signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Among the provisions of the Act is a provision granting a subsidy to sponsors of retirement medical plans with prescription drug coverage when the benefit is at least actuarially equivalent to the Medicare Part D benefit. The Financial Accounting Standards Board (FASB) has not issued final rules specifying how sponsors should account for this subsidy. TAP has not estimated the expected favorable impact of the legislation on its retiree medical obligations or costs, and therefore has not reflected any effect of the legislation in the financial statements. The final rules, when issued by the FASB, could require companies, including TAP, to retroactively change amounts included in these consolidated financial statements.

Note 7. Incentive Stock Program

Certain key 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.

In March 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 02-08, Accounting for Options Granted to Employees in Unrestricted, Publicly Traded Shares of an Unrelated Entity. EITF No. 02-08 requires that options issued to employees in shares of another Company be accounted for as derivatives under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. Accordingly, TAP records the fair value of stock options issued after the adoption of EITF

No. 02-08 using the Black-Scholes option-pricing model with the following assumptions as of December 31, 2003:

Risk-Free Interest Rate	3.0%
Average Life of Options (years)	4.9
Volatility	32.2%
Dividend Yield	2.1%

As of December 31, 2003, TAP has recorded a derivative liability for options granted after the adoption of EITF No. 02-08 of $21,711. Changes in the fair value of these options are recorded as Selling, general and administrative expense.

As of December 31, 2003 and 2002, TAP has recorded a liability for exercised options of $2,816 and $6,466 as payable to Abbott, respectively. TAP also has recorded a liability for options issued before the adoption of EITF No. 02-08 for the difference between the fair value and strike price of vested yet unexercised options of $15,834 and $8,978 as of December 31, 2003 and 2002, respectively. Total expense (income) related to the Abbott Incentive Stock Program of $25,350, $(41,619) and $33,161 (unaudited) was recorded as Selling, general and administrative expense in 2003, 2002 and 2001, 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 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 $16,255 and $(560) as of December 31, 2003 and 2002, respectively, and is recorded as other assets (liabilities) in the balance sheets. For 2003, 2002 and 2001, TAP recorded as Selling, general and administrative expenses $(28,600), $57,057 and $(29,722) (unaudited), respectively, of (gain) loss related to the equity swap investments.

Prior to October 2003, under the Master Agreement, TAP was required to keep on deposit in a money market account, as collateral, funds equal to the fair value of Abbott common stock shares swapped under each transaction at the date of the swap. As of October 2003, TAP was no longer required to maintain this collateral and the requirement to keep on deposit cash totaling $212,417 was lifted as part of a decollateralization agreement. Total funds on deposit at December 31, 2002 were $210,648 and were included in long-term investments in the balance sheet.

Note 8. Income Taxes

TAP's U.S. income tax liabilities for years beginning January 1, 1998 and forward are subject to final determination by the Internal Revenue Service (IRS). The IRS is currently reviewing TAP's 1998 U.S. income tax return. Management is of the opinion that, based on information presently available, the income tax reserves are adequate to cover amounts that may ultimately be payable. To the extent that amounts that have been previously deducted differ 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:

	2003	2002	2001
			(Unaudited)
Current:			
U.S. Federal	$ 595,393	$ 718,940	$ 466,018
State	23,331	33,785	12,627
Total current	618,724	752,725	478,645
Deferred:			
U.S. Federal	32,520	(4,507)	46,006
State	2,322	(321)	9,572
Total deferred	34,842	(4,828)	55,578
Total	$ 653,566	$ 747,897	$ 534,223

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

	2003	2002	2001
			(Unaudited)
Statutory tax rate	35.0%	35.0%	35.0%
Non-deductible litigation expense	—	—	8.4
State income taxes, net of federal income tax benefit	0.9	1.0	1.2
Other	0.1	(0.1)	(0.2)
Effective tax rate	36.0%	35.9%	44.4%

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

	2003	2002
Accounts receivable allowances and inventory reserves	$ 14,571	$ 11,309
Accrued rebates	942	44,463
Accrued compensation and benefits	3,793	16,890
Other, net	65,483	40,918
Total	84,789	113,580
Less current portion	(23,542)	(89,296)
Long-term net deferred tax assets	$ 61,247	$ 24,284

Note 9. Litigation and Related Matters

TAP, along with its shareholders, is involved in various claims and legal proceedings including a number of class action and other lawsuits alleging violations of various state or federal laws in connection with TAP's marketing and pricing of *Lupron*. TAP has filed a response to each of the lawsuits denying all substantive

allegations.

In 2001, TAP entered into an agreement with the U.S. government to settle matters relating to an investigation involving TAP's marketing of its prostate cancer drug, *Lupron*. TAP recorded a provision of

$660,000 (unaudited) in 2001 related to this matter. In December 2001, TAP paid $875,000 (unaudited), plus interest, to settle this matter.

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 claims and proceedings with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on TAP's financial position, but could have a material adverse effect on TAP's cash flows or results of operations.

Note 10. 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 a co-promotion agreement, packaging and warehousing, research and development, and administrative functions. Amounts incurred for these services totaled $312,309, $236,836 and $222,940 (unaudited) for 2003, 2002 and 2001, respectively. Under the co-promotion agreement, Abbott promoted *Prevacid* until June 30, 2003. Abbott acts as an agent for TAP and does not take title or ownership of TAP's products. In addition, Abbott purchased, for international markets, TAP's products for $69,691, $60,899 and $57,482 (unaudited) in 2003, 2002 and 2001, 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 2003, 2002 and 2001, totaled $733,757, $646,076 and $662,343 (unaudited), respectively. TAP has royalty agreements with Takeda for sales of *Lupron*, *Lupron Depot* and *Prevacid*. For 2003, 2002 and 2001, TAP recorded royalty expense of $216,341, $216,774 and $202,901 (unaudited), respectively.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders 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, 2003 and 2002, and the related consolidated statements of income and comprehensive income, of shareholders' equity, and of cash flows for the years then ended. 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. The accompanying consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the year ended December 31, 2001 were not audited by us and, accordingly, we do not express an opinion on them.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 TAP Pharmaceutical Products Inc. and subsidiaries as of December 31, 2003 and 2002, 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.

DELOITTE & TOUCHE LLP
Chicago, Illinois
February 6, 2004

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

None.

ITEM 9A. 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 its filings 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 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.

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 2004 Abbott Laboratories Proxy Statement. The 2004 Proxy Statement will be filed on or about March 9, 2004. Also incorporated herein by reference is the text found under the caption, "Executive Officers of The Registrant" on pages 16 through 25 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officers, 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. 383, AP6D2, Abbott Park, Illinois 60064-6400, 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 2004 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 2004 Proxy Statement will be filed on or about March 9, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(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	117,083,543	42.81	18,300,215[(1)]
Equity Compensation plans not approved by security holders[(2)]	427,122	16.34	5,529,701[(3)]
Total	117,510,665	42.71	23,829,916

(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 (1.5%) 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, 2003, 427,122 options remained outstanding under the plans. These options have a weighted-average purchase price of $16.34.

(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 the funds that are then in each participant's account to purchase shares of Abbott common stock. 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 shares of Abbott's common stock on the open market at its then current market price. The plan contains an employer matching share feature under which the participating employers purchase a share of Abbott common stock 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 shares of Abbott's common stock 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, shares of Abbott stock 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) 2,693,462 shares available for issuance under the Abbott Laboratories Affiliate Employee Stock Purchase Plan,

(ii) 1,457,739 shares available for issuance under the Abbott Laboratories Employee Share Ownership Plan,

(iii) 878,500 shares available for issuance under the Abbott Canada Stock Retirement Plan, and

(iv) 500,000 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 11 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 text to be included under the caption "Information Concerning Security Ownership" and the material under the heading "Security Ownership of Executive Officers and Directors" in the 2004 Proxy Statement. The 2004 Proxy Statement will be filed on or about March 9, 2004.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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 2004 Proxy Statement. The 2004 Proxy Statement will be filed on or about March 9, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)

Documents filed as part of this Form 10-K.

1. *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 41 hereof, for a list of financial statements.

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

3. *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is incorporated herein by reference to the Exhibit Index on pages 97, 98, 99 and 100 of this Form 10-K.

(b) *Reports on Form 8-K during the quarter ended December 31, 2003:*

On October 9, 2003, Abbott Laboratories furnished a Current Report on Securities and Exchange Commission Form 8-K reporting the press release issued by Abbott Laboratories that announced Abbott's results of operations for the third quarter of 2003.

(c) *Exhibits filed (see Exhibit Index on pages 97, 98, 99 and 100).*

(d) *Financial Statement Schedules filed (pages 92 and 95).*

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 20, 2004

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 20, 2004 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/ H. LAURANCE FULLER

H. Laurance Fuller
Director of Abbott Laboratories

/s/ JEFFREY M. LEIDEN

Jeffrey M. Leiden
President and Chief Operating Officer,

/s/ JACK M. GREENBERG

Jack M. Greenberg
Director of Abbott Laboratories

Pharmaceutical Products Group and
Director of Abbott Laboratories

/s/ THOMAS C. FREYMAN

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

/s/ DAVID A. L. OWEN

David A. L. Owen
Director of Abbott Laboratories

/s/ GREG W. LINDER

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

/s/ BOONE POWELL JR.

Boone Powell Jr.
Director of Abbott Laboratories

/s/ A. BARRY RAND

A. Barry Rand
Director of Abbott Laboratories

/s/ WILLIAM D. SMITHBURG

William D. Smithburg
Director of Abbott Laboratories

/s/ W. ANN REYNOLDS

W. Ann Reynolds
Director of Abbott Laboratories

/s/ JOHN R. WALTER

John R. Walter
Director of Abbott Laboratories

/s/ ROY S. ROBERTS

Roy S. Roberts
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001
(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
2003	$ 198,116	$ 132,622	$ (71,224)	$ 259,514
2002	195,585	97,649	(95,118)	198,116
2001	190,167	88,248	(82,830)	195,585

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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, 2003 and 2002, and for the years then ended, and have issued our report thereon dated February 11, 2004, which report expresses an unqualified opinion and includes explanatory paragraphs related to our audit of certain 2001 disclosures in Note 5 related to pensions and other postemployment benefits, and Abbott Laboratories' change in method of accounting for goodwill and intangible assets and our audit of the 2001 transitional disclosures in Note 15 required by the change; such consolidated financial statements and report are included in your 2003 Annual Report to Shareholders and in this Annual Report on Form 10-K.

Our audits also included the financial statement schedule of the Company as it relates to the years ended December 31, 2003 and 2002, 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 financial statement schedule, as it relates to the years ended December 31, 2003 and 2002, when considered in relation to the 2003 and 2002 basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. The financial statement schedule for the year ended December 31, 2001 was audited by other auditors who have ceased operations. Those auditors expressed an opinion, in their report dated

January 15, 2002, that such 2001 financial statement schedule, when considered in relation to the 2001 basic consolidated financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 11, 2004

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Abbott Laboratories:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Abbott Laboratories included in this Annual Report on Form 10-K, and have issued our report thereon dated January 15, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II is the responsibility of Abbott's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP(1)

Chicago, Illinois
January 15, 2002

(1) This report is a copy of the previously issued report covering fiscal years 2001, 2000 and 1999. The predecessor auditors have not reissued their report.

TAP PHARMACEUTICAL PRODUCTS INC. AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001
(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
2003	$ 27,764	$ 150,726	$ (140,666)	$ 37,824
2002	23,722	128,870	(124,828)	27,764
2001 (unaudited)	18,822	118,880	(113,980)	23,722

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SUPPLEMENTAL SCHEDULE

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

We have audited the consolidated financial statements of TAP Pharmaceutical Products Inc. and subsidiaries (TAP) as of December 31, 2003 and 2002, and for the years then ended, and have issued our report thereon dated February 6, 2004; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedules of TAP, listed in Item 15, for the years ended December 31, 2003 and 2002. These financial statement schedules are the responsibility of TAP's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, 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. The accompanying financial statement schedule for the year ended December 31, 2001 was not audited by us and, accordingly, we do not express an opinion on it.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 6, 2004

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
2003

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.	
2.1	*Agreement and Plan of Merger between Abbott Laboratories, Corvette Acquisition Corp. and TheraSense, Inc. dated as of January 12, 2004 filed as Exhibit 2 to the Schedule 13D filed by Abbott Laboratories on January 22, 2004.
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 June 20, 2003 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 5.6% Note issued pursuant to the Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.4	*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.
4.5	*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.
4.6	*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.
4.7	*Actions of the Authorized Officers with respect to Abbott's $200,000,000 5.6% Notes filed as Exhibit 4.6 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.8	*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.
4.9	*Officers' Certificate and Company Order with respect to Abbott's $200,000,000 5.6% Notes filed as Exhibit 4.8 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.

4.10	*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.
4.11	*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.
4.12	*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.
4.13	*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.
4.14	*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.
4.15	*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.
4.16	*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.
4.17	*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.
4.18	*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.
4.19	*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.

4.20 *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.

4.21 *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.

4.22 *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.

4.23 *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.

4.24 *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.

4.25 *Form of 5.125% Note issued pursuant to Indenture filed as Exhibit 4.1 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.

4.26 *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.

4.27 *Actions of Authorized Officers with Respect to Abbott's 5.125% Notes and its 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.

4.28 *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.

4.29 Form of 3.5% Note issued pursuant to Indenture.

4.30 Actions of Authorized Officers with Respect to Abbott's 3.5% Notes.

4.31 Officers' Certificate and Company Order with respect to Abbott's 3.5% Notes.

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.**

10.3 *Abbott Laboratories 401(k) Supplemental Plan, as amended, filed as Exhibit 10.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2003 on Form 10-Q.**

10.4 *Abbott Laboratories Supplemental Pension Plan, as amended, filed as Exhibit 10.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2003 on Form 10-Q.**

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.**

10.7 The Abbott Laboratories 1996 Incentive Stock Program, as amended.**

10.8 *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.**

10.9	*Form of Agreement Between Abbott Laboratories and each of M. D. White, R. A. Gonzalez, J. M. Leiden, T. C. Freyman and W. G. Dempsey, 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.**
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Abbott Laboratories.
23.1	Consent of Independent Public Accountants.
23.2	Consent of Independent Public Accountants.
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 2004 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 9, 2004.

* 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

ABBOTT LABORATORIES

3.5% Note Due 2009

No. 1001 **$500,000,000**
CUSIP No. 002824 AN 0

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

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

ABBOTT LABORATORIES

ABBOTT LABORATORIES, a corporation duly organized and existing under the laws of Illinois (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the principal sum of Five Hundred Million Dollars ($500,000,000) on February 17, 2009 and to pay interest thereon from February 5, 2004 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on February 17 and August 17 in each year, commencing August 17, 2004, at the rate of 3.5% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the February 1 or August 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

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

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

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of February 9, 2001 (herein called the "Indenture"), between the Company and J.P. Morgan Trust Company, N.A., successor in interest to Bank One Trust Company, N.A., as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to $500,000,000.

The Securities of this series may be redeemed at any time at the Company's option, in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of any Securities of this series being redeemed plus accrued interest to the redemption date and (2) the Make-Whole Amount (as defined below), if any.

If the Company has given notice as provided in the Indenture and funds for the redemption of any Securities of this series called for redemption have been made available on the redemption date, such Securities will cease to bear interest on the date fixed for redemption. Thereafter, the only right of the Holders of such Securities will be to receive payment of the redemption price.

The Company will give notice of any optional redemption to Holders at their addresses, as shown in the Security Register for such Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the redemption price and the principal amount of the Securities of this series held by such Holder to be redeemed.

The Company will notify the Trustee at least 45 days prior to giving notice of redemption (or such shorter period as is satisfactory to the Trustee) of the aggregate principal amount of the Securities of this series to be redeemed and their redemption date. If less than all of the Securities of this series are to be redeemed, the Trustee shall select which Securities are to be redeemed in a manner it deems to be fair and appropriate.

"Make-Whole Amount" means the excess of (1) the aggregate present value, on the redemption date, of the principal being redeemed or paid and the amount of interest (exclusive of interest accrued to the date of redemption or accelerated payment) that would have been payable if such redemption or

accelerated payment had not been made, over (2) the aggregate principal amount of the Securities of this series being redeemed or paid. Net present value shall be determined by discounting, on a semi-annual basis, such principal and interest at the Reinvestment Rate (as defined below and as determined on the third business day preceding the date such notice of redemption is given or declaration of acceleration is made) from the respective dates on which such principal and interest would have been payable if such redemption or accelerated payment had not been made.

"Reinvestment Rate" means 0.10% plus the arithmetic mean of the yields under the respective heading "Week Ending" published in the most recent Statistical Release (as defined below) under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity, as of the payment date of the principal being redeemed or paid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purpose of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities, or, if such statistical release is not published at the time of any determination under the Indenture, then such other reasonably comparable index which shall be designated by the Company.

The Securities of this series do not provide for a sinking fund.

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

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

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

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

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

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

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

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

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

* * *

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

Dated: February 5, 2004

ABBOTT LABORATORIES

By: /s/ Terrence C. Kearney
Name: Terrence C. Kearney
Title: Vice President and Treasurer

Attest:

/s/ John A. Berry

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

J.P. Morgan Trust Company, N.A., successor in interest to Bank One Trust Company, N.A., as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

By /s/ Benita A. Pointer
Authorized Signature

Exhibit 4.30

ABBOTT LABORATORIES

ACTIONS OF THE AUTHORIZED OFFICERS

Pursuant to the authority granted by the Board of Directors of Abbott Laboratories (the "Corporation") in its September 12, 2003 resolutions, the undersigned agree as follows:

1. The Corporation shall issue $500,000,000 aggregate principal amount of the Corporation's 3.5% Notes due 2009 (the "Notes").

2. The Corporation shall issue and sell the Notes to Banc of America Securities LLC, Banc One Capital Markets, Inc., ABN AMRO Incorporated, Wachovia Capital Markets, LLC, SG Cowen Securities Corporation, ING Financial Markets LLC, Harris Nesbitt Corp., and The Williams Capital Group, L.P. (collectively, the "Underwriters") pursuant to an Underwriting Agreement dated February 2, 2004, and a Pricing Agreement dated February 2, 2004 (the "Pricing Agreement"), between the Corporation and the Underwriters, upon the terms and conditions set forth therein, to be issued under and in accordance with an Indenture, dated as of February 9, 2001, between the Corporation and J.P. Morgan Trust Company, N.A., successor in interest to Bank One Trust Company, N.A., as Trustee (the "Trustee"), relating to the Notes and other obligations (the "Indenture").

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

(a) The Notes shall be entitled "3.5% Notes due 2009";

(b) The Notes shall be limited in aggregate principal amount to $500,000,000, subject to any increase in the aggregate principal amount of the Notes which the Corporation may in its discretion effectuate in the future.

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

(d) The principal of the Notes is payable on February 17, 2009;

(e) The Notes shall bear interest at the rate of 3.5% per annum beginning February 5, 2004. Interest on the Notes will be payable semi-annually on February 17 and August 17 of each year (each an "Interest Payment Date"), commencing on August 17, 2004. Interest shall be paid to persons in whose names the Notes are registered on the February 1 or August 1 preceding the Interest Payment Date (each a "Regular Record Date");

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

(g) The Notes may be redeemed at any time at Abbott's option, in whole or from time to time in part, at a redemption price equal to the sum of (1) the principal amount of the Notes being redeemed plus accrued interest to the redemption date and (2) the Make-Whole Amount, as such term is defined in the Prospectus Supplement, if any;

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

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

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

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

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

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

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

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

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

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

5. The price at which the Notes shall be sold by the Corporation to the Underwriters pursuant to the Pricing Agreement shall be 98.869% of the principal amount thereof, plus accrued interest, if any, from February 5, 2004 to the time of delivery of the Notes.

6. The Notes due 2004 initially will be offered to the public by the Underwriters at 99.469% of the principal amount thereof, plus accrued interest, if any, from February 5, 2004 to the time of delivery of the Notes.

7. The execution and delivery of the Pricing Agreement, dated February 2, 2004, and substantially in the form attached hereto as Exhibit B, is hereby approved.

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

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9. J.P. Morgan Trust Company, N.A., successor in interest to Bank One Trust Company, N.A. is hereby designated and appointed as Paying Agent and Securities Registrar with respect to the Notes.

* * * * *

Dated: February 2, 2004

Authorized Officers of
Abbott Laboratories

By /s/ Terrence C. Kearney
Name: Terrence C. Kearney
Title: Vice President and Treasurer

By /s/ Thomas C. Freyman
Name: Thomas C. Freyman
Title: Senior Vice President, Finance
and Chief Financial Officer

Exhibit 4.31

ABBOTT LABORATORIES

OFFICERS' CERTIFICATE

and

COMPANY ORDER

February 5, 2004

With respect to the issuance by Abbott Laboratories (the "Company") of $500,000,000 in aggregate principal amount of 3.5% Notes due 2009 (the "Notes"), Jose M. de Lasa and Terrence C. Kearney, officers of the Company, certify pursuant to Sections 3.1 and 3.3 of the Indenture, dated as of February 9, 2001 (the "Indenture"), between the Company and J. P. Morgan Trust Company, N.A., successor in interest to Bank One Trust Company, N.A., as Trustee (the "Trustee"), as follows:

1. We have read Sections 2.1, 3.1 and 3.3 of the Indenture and the definitions therein relating hereto, reviewed the resolutions of the Board of Directors of the Company adopted on September 12, 2003 (attached as Exhibit B to the Secretary's Certificate of even date herewith), the Actions of the Authorized Officers of February 2, 2004 (attached as Exhibit C to the Secretary's Certificate of even date herewith), conferred with executive officers of the Company and, in our opinion, made such other examinations and investigations as are necessary to enable us to express an informed opinion as to whether Sections 2.1, 3.1 and 3.3 of the Indenture have been complied with.

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

3. The terms of the Notes are set forth in the Actions of the Authorized Officers, dated February 2, 2004 (attached as Exhibit C to the Secretary's Certificate of even date herewith).

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

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

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

ABBOTT LABORATORIES

By: /s/ Jose M. de Lasa
Name: Jose M. de Lasa
Title: Senior Vice President and General Counsel

By: /s/ Terrence C. Kearney
Name: Terrence C. Kearney
Title: Vice President and Treasurer

Exhibit 10.2

ABBOTT LABORATORIES
1991 INCENTIVE STOCK PROGRAM
(as amended and restated through the
1st Amendment December 12, 2003)

1. PURPOSE. The purpose of the Abbott Laboratories 1991 Incentive Stock Program (the "Program") is to attract and retain outstanding individuals as directors, officers and other employees of Abbott Laboratories (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing such persons opportunities to acquire common shares of the Company, or monetary payments based on the value of such shares or financial performance of the Company, or both, on advantageous terms as herein provided.

2. ADMINISTRATION. The Program will be administered by a committee (the "Committee") of at least two persons which shall be either the Compensation Committee of the Board of Directors of the Company (the "Board of Directors") or such other committee comprised entirely of "disinterested persons" as defined in Rule 16b-3 of the Securities and Exchange Commission as the Board of Directors may from time to time designate. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of meeting of the Committee by a writing signed by a majority of the Committee members.

3. PARTICIPANTS. Participants in the Program will consist of such officers and other employees of the Company and its subsidiaries as the Committee in its sole discretions may designate from time to time to receive Benefits hereunder. The Committee's designation of a participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; and (iv) other compensation provided to participants. Non-Employee Directors shall also be participants in the Program solely for purposes of receiving Restricted Stock Awards under paragraph 13. The term "Non-Employee Director" shall mean a member of the Board of Directors who is not a full-time employee of the Company or any of its subsidiaries.

4. TYPES OF BENEFITS. Benefits under the Program may be granted in any one or a combination of (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Limited Stock Appreciation Rights; (e)

Restricted Stock Awards; (f) Performance Units; and (g) Foreign Qualified Benefits, all as described below and pursuant to the Plans set forth in paragraphs 6-12 hereof.

5. SHARES RESERVED UNDER THE PROGRAM. There is hereby reserved for issuance under the Program an aggregate of Five Million (5,000,000) common shares, which may be newly issued or treasury shares. The shares hereby reserved are in addition to the shares previously reserved under the Company's 1977 Incentive Stock Plan, 1981 Incentive Stock Program and 1986 Incentive Stock Program (the "Prior Stock Option Plans"). Any common shares reserved for issuance under the Prior Stock Option Plans in excess of the number of shares as to which options or other Benefits have been awarded on the date of shareholder approval of this Program, plus any such shares as to which options or other Benefits granted under the Prior Stock Option Plans may lapse, expire, terminate or be canceled after such date, shall also be reserved and available for issuance in connection with Benefits under this Program. All of such shares may, but need not, be issued pursuant to the exercise of the Incentive Stock Options.

If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payment of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the Issuance thereof, the shares subject to or reserved for such Benefit may again be used for new options, rights of awards or any sort authorized under this Program; provided, however, that in no event may the number of common shares issued under this Program exceed the total number of shares reserved for issuance hereunder.

6. INCENTIVE STOCK OPTION PLAN. Incentive Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Incentive Stock Options will be exercisable over not more than ten (10) years after the date of grant. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or sixty (60) months after the date of such retirement, disability or death. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. If the optionee should die within sixty (60) months after termination of employment due to retirement or disability, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the later of sixty (60) months after the date of such retirement or disability or six (6) months after the date of such death, but not later than the end of the original term of the option. The aggregate fair market value (determined as of the time the Option is granted) of the

common shares with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all option plans of the Company and its subsidiary corporations) shall not exceed $100,000. An Incentive Stock Option granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

7. NON-QUALIFIED STOCK OPTION PLAN. Non-qualified Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Non-qualified Stock Options will be exercisable over not more than ten (10) years after the date of grant. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or sixty (60) months after the date of such retirement, disability or death. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. If the optionee should die within sixty (60) months after termination of employment due to retirement or disability, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the later of sixty (60) months after the date of such retirement or disability or six (6) months after the date of such death, but not later than the end of the original term of the option. A Non-qualified Stock Option granted to a participant who is subject to Section 16 of the Exchange Act may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

8. STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Stock Option Plans. Such Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Stock Appreciation Rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable

and to elect to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Stock Appreciation Right granted to a participant who is subject to Section 16 of the Exchange Act may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

(d) The Committee shall have the discretion to satisfy a participant's right to receive the amount of cash determined under subparagraph (b) hereof, in whole or in part, by the delivery of common shares valued as of the date of the participant's election.

(e) A Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Limited Stock Appreciation Right with respect to the same stock option. However, a Stock Appreciation Right may not be exercised during any period that a Limited Stock Appreciation Right with respect to the same stock option may be exercised.

(f) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

9. LIMITED STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Limited Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Stock Option Plans. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Limited Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) A Limited Stock Appreciation Right will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Limited Stock Appreciation Right granted to a participant who is subject to Section 16 of the Exchange Act may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission) and only during the sixty (60) day period commencing with the day following the date of a Change In Control.

(d) A Limited Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Stock Appreciation Right with respect to the same stock option.

(e) In the event of the exercise of a Limited Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

10. RESTRICTED STOCK AWARDS PLAN. Restricted Stock Awards will consist of common shares transferred to participants without other payment therefor as additional compensation for their services to the Company or one of its subsidiaries. Restricted Stock Awards shall be subject to such

terms and conditions as the Committee determines appropriate, including, without limitations, restrictions on the sale or other disposition of such shares and rights of the Company to reacquire such shares upon termination of the participant's employment within specified periods. Subject to such other restrictions as are imposed by the Committee, the common shares covered by a Restricted Stock Award granted to a participant who is subject to Section 16 of the Exchange Act may be sold or otherwise disposed of only after six (6) months from the grant date of the award (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

11. PERFORMANCE UNITS PLAN. Performance Units shall consist of monetary units granted to participants which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time, but not in any event more than five (5) years. The goals established by the Committee may include earnings per share, return on shareholder equity, return on average total capital employed, and/or such other goals as may be established by the Committee in its discretion. In the event the minimum corporate goal established by the Committee is not achieved at the conclusion of a period, no amount shall be paid to or vested in the participant. In the event the maximum corporate goal is achieved, One Hundred percent (100%) of the monetary value of the Performance Units shall be paid to or vested in the participants. Partial achievement of the maximum goal may result in a

payment or vesting corresponding to the degree of achievement. Payment of an award earned may be in cash or in common shares or in a combination of both, and may be made when earned, or vested and deferred, as the Committee in its sole discretion determines. Deferred awards shall earn interest on the terms and at a rate determined by the Committee. The number of shares reserved for issuance hereunder shall be reduced by the largest whole number obtained by dividing monetary value of the units at the commencement of the performance period by the market value of a common share at such time, provided that such number of shares may again become available for issuance under this Program as is provided in Paragraph 5 hereof.

12. FOREIGN QUALIFIED BENEFITS. Benefits under the Program may be granted to such employees of the Company and its subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Program as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no Benefit shall be granted under any such supplement with terms or conditions which are inconsistent with the provisions as set forth under the Program.

13. RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE DIRECTORS.

(a) Each person elected a Non-Employee Director at the annual shareholders meeting in 1991, 1992, 1993, 1994 and 1995 shall receive a Restricted Stock Award on that date covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, Twenty Thousand Dollars ($20,000).

(b) ISSUANCE OF CERTIFICATES. As soon as practicable following the date of the award the Company shall issue certificates ("Certificates") to the Non-Employee Director receiving the award, representing the number of common shares covered by the award. At the discretion of the Company, the Certificates shall bear legends describing the restrictions on such shares imposed by this paragraph 13.

(c) RIGHTS. Upon issuance of the Certificates, the directors in whose names they are registered shall, subject to the restrictions of this paragraph 13, have all of the rights of a shareholder with respect to the shares represented by the Certificates, including the right to vote such shares and receive cash dividends and other distributions thereon.

(d) RESTRICTED PERIOD. The shares covered by awards granted under this paragraph 13 may not be sold or otherwise disposed of within six (6) months following their grant date (unless otherwise

permitted under Rule 16b-3 of the Securities and Exchange Commission) and in addition shall be subject to the restrictions of this paragraph 13 for a period (the "Restricted Period") commencing with the date of the award and ending on the earliest of the following events:

(i) The date the director terminates or retires from the Board;

(ii) The date the director dies; or

(iii) The date of occurrence of a Change in Control (as defined in paragraph 19(c)).

(e) RESTRICTIONS. All shares covered by awards granted under this paragraph 13 shall be subject to the following restrictions during the Restricted Period:

(i) The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

(ii) Any additional common shares of the Company or other securities or property issued with respect to shares covered by awards granted under this paragraph 13 as a result of any stock dividend, stock split or reorganization, shall be subject to the restrictions and other provisions of this paragraph 13.

(iii) A director shall not be entitled to receive any shares prior to completion of all actions deemed appropriate by the Company to comply with federal or state securities laws and stock exchange requirements.

(f) Except in the event of conflict, all provisions of the Program shall apply to this paragraph 13. In the event of any conflict between the provisions of the Program and this paragraph 13, this paragraph 13 shall control. Those provisions of paragraph 16 which authorize the Committee to declare outstanding restricted stock awards to be vested and to amend or modify the terms of Benefits shall not apply to awards granted under this paragraph 13.

14. NONTRANSFERABILITY. Each stock option and stock appreciation right granted under this Program shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by the participant or the participant's guardian or legal representative. A participant's interest in a Performance Unit shall not be transferable until payment or delivery of the award is made.

15. OTHER PROVISIONS. The award of any Benefit under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other common shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Program.

The Committee may, in its discretion, permit payment of the purchase price of shares under stock options by delivery of a properly executed exercise notice together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

The Committee may, in its discretion and subject to such rules as it may adopt, permit a participant to pay all or a portion of the federal, state and local taxes, including FICA withholding tax, arising in connection with the following transactions: (a) the exercise of a Non-qualified Stock Option; (b) the lapse of restrictions on common shares received as a Restricted Stock Award; or (c) the receipt or exercise of any other Benefit; by electing (i) to have the Company withhold common shares, (ii) to tender back common shares received in connection with such Benefit or (iii) to deliver other previously acquired common shares of the Company having a fair market value approximately equal to the amount to be withheld.

16. TERM OF PROGRAM AND AMENDMENT MODIFICATION, CANCELLATION OR ACCELERATION OF BENEFITS. No Benefit shall be granted more than five (5) years after the date of the approval of this Program by the shareholders; provided, however, that the terms and conditions applicable to any Benefits granted prior to such date may at any time be amended, modified or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of common shares issuable under this Program; and provided further, that the Committee may, at any time and in its sole discretion, declare any or all stock options and stock appreciation rights then outstanding under this Program or the Prior Stock Option Plans to be exercisable, any or all then outstanding Restricted Stock Awards to be vested, and any or all then outstanding Performance Units to have been earned, whether or not such options, rights, awards or units are then otherwise exercisable, vested or earned.

17. AMENDMENT TO PRIOR STOCK OPTION PLANS. No options or other Benefits shall be granted under the Prior Stock Option Plans on or after the date of shareholder approval of this Program.

18. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Program after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

19. DEFINITIONS.

(a) FAIR MARKET VALUE. Except as provided below, the Fair Market Value of the Company's common shares shall be determined by such methods or procedures as shall be established by the Committee; provided that, in the case of any Limited Stock Appreciation Right (other than a right related to an Incentive Stock Option), the Fair Market Value shall be the higher of:

(i) The highest daily closing price of the Company's common shares during the sixty (60) day period following the Change in Control; or

(ii) The highest gross price paid or to be paid for the Company's common shares in any of the transactions described in paragraphs 19(c)(i) and 19(c)(ii).

(b) SUBSIDIARY. The term "subsidiary" for all purposes other than the Incentive Stock Option Plan described in paragraph 6, shall mean any corporation, partnership, joint venture or business trust, fifty percent (50%) or more of the control of which is owned, directly or indirectly, by the Company. For Incentive Stock Option Plan purposes the term "subsidiary" shall be defined as provided in Internal Revenue Code Section 425(f).

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

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

(ii) the date the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors and any new director (other than a

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

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

(iv) the date the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's

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

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

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

(d) DISABILITY. The term "disability" for all purposes of the Program shall mean the participant's disability as defined in subsection 4.1(a) of the Abbott Laboratories Extended Disability Plan for twelve (12) consecutive months.

20. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of issued common shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of shares

reserved for issuance under this Program and the number of shares covered by each outstanding Benefit and the purchase price of such shares shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Benefit shall not be changed. Subject to paragraph 20(c), the Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the Company or in the common shares resulting from reorganization, sale, merger, consolidation, spin-off or similar occurrence.

(b) Subject to paragraph 20(c), without affecting number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Notwithstanding any other provision of this Program or the Prior Stock Option Plans including the terms of any Benefit granted hereunder, if the outstanding common shares of the Company shall be combined, or be changed into, or exchanged for, another kind of stock of the Company, into securities of another corporation, or into property (including cash) whether through recapitalization, reorganization, sale, merger, consolidation, spin-off, business combination or a similar transaction (a "Transaction"), the Company shall cause its successor, acquiror (or ultimate parent of any successor or acquiror), as applicable, to assume each stock option, Stock Appreciation Right and Limited Stock Appreciation Right outstanding immediately prior to the Transaction (or to cause new

options or rights to be substituted therefor). Pursuant to such assumed or substituted option or rights, participants shall thereafter be entitled to receive, upon due exercise of any portion of the option or right, (a) in the event of a Transaction in which the outstanding common shares of the Company are combined, or changed into, or exchanged for, solely another kind of stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares), the securities which that person would have been entitled to receive for common shares acquired through exercise of the same portion of such option or right immediately prior to the effective date of such Transaction, and (b) in the event of a Transaction in which the outstanding common shares of the Company are changed into, or exchanged for, property (including cash) other than solely stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares), securities the fair market value of which immediately following the effective date of such Transaction (as determined by the Committee) equals

the fair market value (as determined by the Committee) of the property which that person would have been entitled to receive for common shares acquired through exercise of the same portion of such option or right immediately prior to the effective date of such Transaction. In each case such assumed or substituted option or right shall continue to be subject to the same terms and conditions (including, without limitation, with respect to any right to receive "replacement options" upon option exercise) to which it was subject immediately prior to the Transaction.

Notwithstanding the immediately preceding paragraph, upon a Transaction in which the outstanding common shares of the Company are changed into, or exchanged for, property (including cash) other than solely stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares) and which constitutes a Change in Control, each participant may elect to receive, immediately following such Transaction in exchange for cancellation of any stock option (other than an Incentive Stock Option granted prior to June 20, 2003), Stock Appreciation Right or Limited Appreciation Right held by such participant immediately prior to the Transaction, a cash payment, with respect to each common share subject to such option or right, equal to the difference between the value of consideration (as determined by the Committee) received by the shareholders for a common share of the Company in the Transaction, less any applicable purchase price.

(d) Notwithstanding any other provision of this Program or the Prior Stock Option Plans including the terms of any Benefit granted hereunder, upon the occurrence of a Change in Control:

(i) All stock options then outstanding under this Program or the Prior Stock Option Plans shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(ii) All Stock Appreciation Rights and Limited Stock Appreciation Rights then outstanding shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied as of the date of the Change in Control; and

(iv) All Performance Units then outstanding shall be deemed to have been fully earned and to be immediately payable, in cash, as of the date of the Change in Control.

21. AMENDMENT AND TERMINATION OF PROGRAM. The Board of Directors may amend the Program from time to time or terminate the Program at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. Paragraph 13 of the Program may not be amended more frequently than once every six months other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules thereunder, and no amendment of the Program shall result in any Committee member losing his or her status as a "disinterested person" as defined in Rule 16b-3 of the Securities and Exchange Commission with respect to any employee benefit plan of the Company or result in the Program losing its status as a protected plan under said Rule 16b-3.

22. EFFECTIVE DATE. The Program was originally adopted by the Board of Directors on February 8, 1991.

Exhibit 10.6

Amended and Restated effective December 12, 2003

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN

SECTION 1.
PURPOSE

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

SECTION 2.
DIRECTORS COVERED

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

SECTION 3.
FEES PAYABLE TO DIRECTORS

3.1 Each Director shall be entitled to a deferred monthly fee of Six Thousand Six Hundred Sixty-Seven Dollars ($6,667.00) for each calendar month or portion thereof (excluding the month in which he is first elected a Director) that he holds such office with the Company.

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

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

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

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

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

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

SECTION 4.
PAYMENT OF DIRECTORS' FEES

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

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

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

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

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

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

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

(iii) the date on which there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or other entity, other than (a) a merger or consolidation (I) immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the Board of Directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger or consolidation is then a subsidiary, the ultimate parent thereof and (II) which results in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial

Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

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

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

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

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

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

agreements.

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

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

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

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

SECTION 5.
DIRECTORS' RETIREMENT BENEFIT

5.1 Effective April 30, 1998, each of the persons serving as a Director on December 12, 1997 shall be credited with a retirement benefit of $4,167 a month for 120 months of continuous service and no additional retirement benefits shall accrue under the Plan. Each of the persons serving as a Director on December 12, 1997 may elect: (a) to have his or her retirement benefit under the Plan treated as provided in Section 5.2 of the Plan; or (b) to have the present value of that retirement benefit credited to an unfunded phantom stock account and converted into phantom stock units based on the closing price of the Company's common stock on April 30, 1998, with those phantom stock units then being credited with the same cash and stock dividends, stock splits and other distributions and adjustments as are paid on the Company's common stock. The phantom stock units shall be payable to the Director in annual payments commencing on the first day of the calendar month next following the earlier of the Director's death or termination of service

as a Director, in an amount determined by the closing price of the Company's common stock on the first business day preceding the payment date. Unless the retirement benefit is terminated, the annual benefit shall continue to be paid on the anniversary of the day on which the first such retirement benefit payment was made, until the benefit has been paid for ten years, or until the death of the Director or surviving spouse, if earlier. If a Director should die with such benefit still in effect, prior to receipt of all payments due hereunder, the annual benefit shall continue to be paid to the surviving spouse of such Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

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

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

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

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

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

SECTION 6.
CONVERSION TO COMMON STOCK UNITS

6.1 Any Director who is then serving as a director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees previously earned but not yet paid, transferred from the Director's Deferred Fee Account to a Stock Account maintained on his or her behalf pursuant to paragraph 9.3. Any election as to a portion of such fees shall be expressed as a percentage and the same percentage shall be applied to all such fees regardless of the calendar year in which earned or to all deferred fees earned in designated calendar years, as specified by the Director. A Director may make no more than one election under this paragraph 6.l in any calendar year. All such elections may apply only to deferred fees for which an election has not previously been made and shall be irrevocable.

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

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

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

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

SECTION 7.
MISCELLANEOUS

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

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

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

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

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

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

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

SECTION 8.
AMENDMENT AND DISCONTINUANCE

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

SECTION 9.
ALTERNATE PAYMENT OF DEFERRED FEES

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

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

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

Common Stock Units under Section 6 and paid in cash to a Director (including amounts paid to a Director's Grantor Trust and allocated to the stock account maintained thereunder) pursuant to paragraph 9.2 and any adjustments made pursuant to paragraph 9.5. The Accounts established pursuant to this paragraph 9.3 are for the convenience of the administration of the plan and no trust relationship with respect to such Accounts is intended or should be implied.

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

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

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

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

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

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

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

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

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

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

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

9.9 In addition to the fees provided under Section 3, each Director (or, if the Director is deceased, the beneficiary designated under the Director's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his or her Deferred Fee Trust Account or Stock Trust Account. The "Tax Gross Up" shall

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

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

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

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

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

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

Exhibit A

IRREVOCABLE GRANTOR TRUST AGREEMENT

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

WITNESSETH THAT:

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

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

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

ARTICLE I
Introduction

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

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

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

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

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

ARTICLE II
Distribution of the Trust Fund

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

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

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

written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

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

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

ARTICLE III
Management of the Trust Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV
General Provisions

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

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

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

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

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

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

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

ARTICLE V
Changes in Trustee

V-1. Resignation or Removal of Trustee. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

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

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

ARTICLE VI
Amendment and Termination

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

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

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

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

* * *

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

Grantor

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

The Northern Trust Company as Trustee

By

Its

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

Abbott Laboratories

By

Its

ABBOTT LABORATORIES
1996 INCENTIVE STOCK PROGRAM
(as amended and restated through the
1st Amendment December 12, 2003)

1. PURPOSE. The purpose of the Abbott Laboratories 1996 Incentive Stock Program (the "Program") is to attract and retain outstanding directors, officers and other employees of Abbott Laboratories (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing opportunities to acquire common shares of the Company, or monetary payments based on the value of such shares or the financial performance of the Company, or both, on advantageous terms as herein provided and to further align such persons' interests with those of the Company's other shareholders through compensation that is based on the value of the Company's common shares.

2. ADMINISTRATION. The Program will be administered by a committee (the "Committee") of at least two persons which shall be either the Compensation Committee of the Board of Directors of the Company (the "Board of Directors") or such other committee comprised entirely of persons who are both: (i) "disinterested persons" as defined in Rule 16b-3 of the Securities and Exchange Commission; and (ii) "outside directors" as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor provision; as the Board of Directors may from time to time designate. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of meeting of the Committee by a writing signed by all of the Committee members. The Committee may, from time to time, delegate any or all of its duties, powers and authority to any officer or officers of the Company, except to the extent such delegation would be inconsistent with Rule 16b-3 of the Securities and Exchange Commission or other applicable law, rule or regulation. The Chief Executive Officer of the Company may, on behalf of the Committee, grant stock options and restricted stock awards under the Program, other than to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All such grants by the Chief Executive Officer must be reported to, and ratified by, the Committee within twelve months of the grant date but, if ratified, shall be effective as of the grant date.

3. PARTICIPANTS. Participants in the Program will consist of such officers and other employees of the Company and its subsidiaries as the Committee in its sole discretion may designate from time to time to receive Benefits hereunder. The Committee's designation of a participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; (iv) prior awards to participants; and (v) other compensation provided to participants. Non-Employee Directors shall also be participants in the Program solely for purposes of

receiving Restricted Stock Awards under paragraph 13 and Non-qualified Stock Options under paragraph 14. The term "Non-Employee Director" shall mean a member of the Board of Directors who is not a full-time employee of the Company or any of its subsidiaries.

4. TYPES OF BENEFITS. Benefits under the Program may be granted in any one or a combination of (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Limited Stock Appreciation Rights; (e) Restricted Stock Awards; (f) Performance Awards; and (g) Foreign Qualified Benefits, all as described below.

5. SHARES RESERVED UNDER THE PROGRAM. There is hereby reserved for issuance under the Program: (i) an aggregate of Five Million (5,000,000) common shares; plus (ii) an authorization for each calendar year (the "Annual Authorization") for the years 1996 through 1999, of seven-tenths of one percent (0.7%) of the total common shares of the Company issued and outstanding as of the first day of such calendar year and for the years from and including 2000, one and a half percent (1.5%) of the total common shares of the Company issued and outstanding as of the first day of such calendar year; which may be newly issued or treasury shares. The shares hereby reserved are in addition to the shares previously reserved under the Company's 1981 Incentive Stock Program, 1986 Incentive Stock Program and 1991 Incentive Stock Program (the "Prior Programs"). Any common shares reserved for issuance under the Prior Programs in excess of the number of shares as to which options or other Benefits have been awarded on the date of shareholder approval of this Program, plus any such shares as to which options or other Benefits granted under the Prior Programs may lapse, expire, terminate or be canceled after such date, shall also be reserved and available for issuance in connection with Benefits under this Program. Any common shares reserved under the Program for any calendar year under an Annual Authorization as to which options or other Benefits have not been awarded as of the end of such calendar year shall be available for issuance in connection with Benefits granted in subsequent years.

If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payment of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, or shares are reacquired pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of the Company, the shares subject to or reserved for such Benefit, or so reacquired, may again be used for new options, rights or awards of any sort authorized under this Program; provided, however, that in no event may the number of common shares issued under this Program, and not reacquired by the Company pursuant to rights reserved upon the issuance thereof or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of the Company, exceed the total number of shares reserved for issuance hereunder.

6. INCENTIVE STOCK OPTIONS. Incentive Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. An Incentive Stock Option will not be exercisable after the expiration of ten (10) years from the date such option is granted. In the event of termination of employment for any reason other than

retirement, disability or death, the right of the optionee to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an Incentive Stock

Option shall terminate upon the end of the original term of the option. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. To the extent the aggregate fair market value (determined as of the time the Option is granted) of the common shares with respect to which any Incentive Stock Option is exercisable for the first time by any individual during any calendar year (under all option plans of the Company and its subsidiary corporations) exceeds $100,000, the excess shall be treated as a Non-qualified Stock Option. An Incentive Stock Option shall be exercisable as determined by the Committee, but in no event earlier than six (6) months from its grant date.

7. NON-QUALIFIED STOCK OPTIONS. Non-qualified Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. A Non-qualified Stock Option will not be exercisable after the expiration of ten (10) years from the date such option is granted. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the end of the original term of the option. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. A Non-qualified Stock Option shall be exercisable as determined by the Committee, but in no event earlier than six (6) months from its grant date.

8. STOCK APPRECIATION RIGHTS. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Programs. Such Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Stock Appreciation Rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to elect to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Stock Appreciation Right granted to a participant who is subject to Section 16 of the Exchange Act may be exercised only after six (6) months from its grant date (unless such exercise would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission).

(d) A Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Limited Stock Appreciation Right with respect to the same stock option. However, a Stock Appreciation Right may not be exercised during any period that a Limited Stock Appreciation Right with respect to the same stock option may be exercised.

(e) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

9. LIMITED STOCK APPRECIATION RIGHTS. The Committee may, in its discretion, grant a Limited Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Programs. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Limited Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) A Limited Stock Appreciation Right will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Limited Stock Appreciation Right granted to a participant who is subject to Section 16 of the Exchange Act may be exercised only after six (6) months from its grant date (unless such exercise would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission) and only during the sixty (60) day period commencing on the later of:

(i) the day following the date of a Change in Control; or (ii) the first date on which such exercise would be exempt under Rule 16b-3 of the Securities and Exchange Commission.

(d) A Limited Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Stock Appreciation Right with respect to the same stock option.

(e) In the event of the exercise of a Limited Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

10. RESTRICTED STOCK AWARDS. Restricted Stock Awards will consist of common shares transferred to participants without other payment therefor as additional compensation for their services to the Company or any of its subsidiaries. Restricted Stock Awards granted under this paragraph 10 shall be satisfied from the Company's available treasury shares. Restricted Stock Awards shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitation, restrictions on the sale or other disposition of such shares and rights of the Company to reacquire such shares upon termination of the participant's employment within specified periods. Subject to such other restrictions as are imposed by the Committee, the common shares covered by a Restricted Stock Award granted to a participant who is subject to Section 16 of the Exchange Act may be sold or otherwise disposed of only after six (6) months from the grant date of the award (unless such sale would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission). No more than ten percent (10%) of the total number of shares available for grant in any calendar year may be issued as Restricted Stock Awards under paragraphs 10 and 13 in that year.

11. PERFORMANCE AWARDS. Performance Awards in the form of Performance Units or Performance Shares may be granted to any participant in the Program. Performance Units shall consist of monetary awards which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time. Performance Shares shall consist of common shares or awards denominated in common shares which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time. The goals established by the Committee shall be based on any one, or combination of, earnings per share, return on equity, return on assets, total shareholder return, net operating income, cash flow, increase in revenue, economic value added, increase in share price or cash flow return on investment. Partial achievement of the goal(s) may result in a payment or vesting corresponding to the degree of achievement. Payment of an award earned may be in cash or in common shares or in a combination of both, and may be made when earned, or may be vested and deferred, as the Committee in its sole

discretion determines. The maximum amount which may be granted under all Performance Awards for any one year for any one participant shall be Five Million Dollars ($5,000,000). This limit shall be applied to Performance Shares by multiplying the number of Performance Shares granted by the fair market value of one common share on the date of the award. During the term of the Program, no more than 5 million shares of Abbott common stock may be granted in the form of Performance Units and no more than 5 million shares of Abbott common stock may be granted in the form of Performance Shares. This paragraph 11 is intended to comply with the performance-based compensation requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall be interpreted in accordance with the rules and regulations thereunder.

12. FOREIGN QUALIFIED BENEFITS. Benefits under the Program may be granted to such employees of the Company and its subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Program as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no Benefit shall be granted under any such supplement with terms or conditions which are inconsistent with the provisions as set forth under the Program.

13. RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE DIRECTORS.

(a) Each year, on the date of the annual shareholders meeting, each person who is elected a Non-Employee Director at the annual shareholders meeting shall be awarded both: (i) a Restricted Stock Award covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, an amount equal to six times the monthly fee in effect under Section 3.1 of the Abbott Laboratories Non-Employee Director's Fee Plan on the date of the award and (ii) in the years 1996 through 2005, a Restricted Stock Award covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, Twenty-Two Thousand Dollars ($22,000) for awards made in years 1996 through 2000 and Twenty-Five Thousand Dollars ($25,000) for awards made in years 2001 through 2005.

(b) ISSUANCE OF CERTIFICATES. As soon as practicable following the date of the award the Company shall issue certificates ("Certificates") to the Non-Employee Director receiving the award, representing the number of common shares covered by the award. Each Certificate shall bear a legend describing the restrictions on such shares imposed by this paragraph 13.

(c) RIGHTS. Upon issuance of the Certificates, the directors in whose names they are registered shall, subject to the restrictions of this paragraph 13, have all of the rights of a shareholder with respect to the shares represented by the certificates, including the right to vote such shares and receive cash dividends and other distributions thereon.

(d) RESTRICTED PERIOD. The shares covered by awards granted under this paragraph 13 may not be sold or otherwise disposed of within six (6) months following their grant date (unless such sale would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission) and in addition shall be subject to the restrictions of this paragraph 13 for a period (the "Restricted Period") commencing with the date of the award and ending on the earliest of the following events:

(i) The date the director terminates or retires from the Board;

(ii) The date the director dies; or

(iii) The date of occurrence of a Change in Control (as defined in paragraph 20(c)).

(e) RESTRICTIONS. All shares covered by awards granted under this paragraph 13 shall be subject to the following restrictions during the Restricted Period:

(i) The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

(ii) Any additional common shares of the Company or other securities or property issued with respect to shares covered by awards granted under this paragraph 13 as a result of any stock dividend, stock split or reorganization, shall be subject to the restrictions

and other provisions of this paragraph 13.

(iii) A director shall not be entitled to receive any shares prior to completion of all actions deemed appropriate by the Company to comply with federal or state securities laws and stock exchange requirements.

(f) Except in the event of conflict, all provisions of the Program shall apply to this paragraph 13. In the event of any conflict between the provisions of the Program and this paragraph 13, this paragraph 13 shall control. Those provisions of paragraph 17 which authorize the Committee to declare outstanding restricted stock awards to be vested and to amend or modify the terms of Benefits shall not apply to awards granted under this paragraph 13. Restricted Stock Awards granted under this paragraph 13 shall be satisfied from the Company's available treasury shares.

14. NON-QUALIFIED STOCK OPTIONS FOR NON-EMPLOYEE DIRECTORS.

(a) Each Non-Employee Director may elect to receive any or all of his or her fees earned during the second half of 1996 and each subsequent calendar year under Section 3 of the Abbott Laboratories Non-Employee Directors' Fee Plan (the "Directors' Fee Plan") in the form of Non-qualified Stock Options under this Section 14. Each such election shall be irrevocable, and must be made in writing and filed with the Secretary of the Company

by December 31, 1995 (for fees earned in the second half of 1996) and (for fees earned in subsequent calendar years) by June 30 of the calendar year preceding the calendar year in which such fees are earned (or such later date as may be permissible under Rule 16b-3 of the Securities and Exchange Commission, but in no event later than December 31 of such preceding calendar year).

(b) A Non-Employee Director may file a new election each calendar year applicable to fees earned in the immediately succeeding calendar year. If no new election or revocation of a prior election is received by June 30 of any calendar year (or such later date as may be permissible under paragraph (a)), the election, if any, in effect for such calendar year shall continue in effect for the immediately succeeding calendar year. Any election made under this Section 14 shall take precedence over any election made by the director for the same period, under the Directors' Fee Plan, to the extent necessary to resolve any conflict between such elections. If a director does not elect to receive his or her fees in the form of Non-qualified Stock Options, the fees due such director shall be paid or deferred as provided in the Directors' Fee Plan and any applicable election thereunder by the director.

(c) The number of common shares covered by each Non-qualified Stock Option granted in any year under this Section 14 shall be determined based on an independent appraisal for such year of the intrinsic value of options granted hereunder and the amount of fees covered by the director's election for such year. The number of common shares covered by options granted in 1996 (as determined under this procedure) shall be the number of whole shares equal to (i) the product of three (3) times the amount of fees which the director has elected under paragraph (a) to receive in the form of Non-qualified Stock Options, divided by (ii) One Hundred percent (100%) of the Fair Market Value of one common share on the grant date. Any fraction of a share shall be disregarded, and the remaining amount of the fees corresponding to such option shall be paid as provided in the Directors' Fee Plan and any applicable election thereunder by the director.

(d) Effective on October 10, 1997, each Non-qualified Stock Option due a director under this Section 14 prior to the 1998 annual shareholders meeting shall be granted on October 10, 1997 at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the common shares covered by such option on the grant date. Effective with the 1998 Annual Shareholders Meeting, each Non-qualified Stock Option due a director under this Section 14 shall be granted annually, on the date of the annual shareholders meeting, at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the common shares covered by such option on the grant date. Each such option shall be immediately exercisable and nonforfeitable, and shall not be exercisable after the expiration of ten (10) years from the date it is granted. Each such option shall contain provisions allowing payment of the purchase price and, to the extent permitted, any taxes due on exercise, by delivery of other common

shares of the Company (or, in the case of the payment of taxes, by withholding of shares).

(e) All Non-qualified Stock Options granted under this Section 14 prior to October 10, 1997, shall be immediately exercisable and nonforfeitable, and shall not be exercisable after the expiration of ten (10) years from the date granted.

15. NONTRANSFERABILITY. Except as provided by the Committee, each stock option and stock appreciation right granted under this Program shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by the participant or the participant's guardian or legal representative.

16. OTHER PROVISIONS. The award of any Benefit under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other common shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Program.

In the case of a participant who is subject to Section 16(a) and 16(b) of the Exchange Act, the Committee may, at any time, add such conditions and limitations to any Benefit granted to such participant, or any feature of any such Benefit, as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom. A participant may pay the purchase price of shares under stock options by delivery of a properly executed exercise notice together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

The Committee may, in its discretion and subject to such rules as it may adopt, permit or require a participant to pay all or a portion of the federal, state and local taxes, including FICA and medicare withholding tax, arising in connection with the following transactions: (a) the exercise of a Non-qualified Stock Option; (b) the lapse of restrictions on common shares received as a Restricted Stock Award; or (c) the receipt or exercise of any other Benefit; by (i) having the Company withhold common shares, (ii) tendering back common shares received in connection with such Benefit or (iii) delivering other previously acquired common shares of the Company having a fair market value approximately equal to the amount to be withheld.

The Committee may grant stock options under the Program (and, for stock options granted prior to shareholder approval of this Program, under the Company's 1991 Incentive Stock Program) that provide for the grant of replacement stock options if all or

any portion of the purchase price or taxes incurred in connection with the exercise, are paid by delivery (or, in the case of payment of taxes, by withholding of shares) of other common shares of the Company. The replacement stock option shall cover the number of common shares surrendered to pay the purchase price, plus the number of shares surrendered or withheld to satisfy the participant's tax liability, shall have an exercise price equal to One Hundred percent (100%) of the Fair Market Value of such common shares on the date such replacement stock option is granted, shall first be exercisable six months from the date of grant of the replacement stock option and shall have an expiration date equal to the expiration date of the original stock option.

17. TERM OF PROGRAM AND AMENDMENT, MODIFICATION, CANCELLATION OR ACCELERATION OF BENEFITS. The Program shall continue in effect until terminated by the Board of Directors, except that no Incentive Stock Option shall be granted after October 13, 2005 and that no other Benefits shall be granted after April 27, 2010. The terms and conditions applicable to any Benefits may at any time be amended, modified or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of common shares issuable under this Program; and provided further, that the Committee may, at any time and in its sole discretion, declare any or all stock options and stock appreciation rights then outstanding under this Program or the Prior Programs to be exercisable and any or all then outstanding Restricted Stock Awards to be vested, whether or not such options, rights or awards are then otherwise exercisable or vested. Notwithstanding the foregoing, except as provided in paragraph 22, the Committee shall neither lower the purchase price of any option granted under the Program nor grant any option under the Program in replacement of a cancelled option which had previously been granted at a higher purchase price, without shareholder approval.

18. AMENDMENT TO PRIOR PROGRAMS. No options or other Benefits shall be granted under the Prior Programs on or after the date of shareholder approval of this Program.

19. INDIVIDUAL LIMIT ON OPTIONS AND STOCK APPRECIATION RIGHTS; AGGREGATE LIMIT ON INCENTIVE STOCK OPTIONS. The maximum number of shares with respect to which Incentive Stock Options, Non-qualified Stock Options, Stock Appreciation Rights and Limited Stock Appreciation Rights may be granted to any one participant, in aggregate in any one calendar year, shall be Two Million (2,000,000) shares. Incentive Stock Options with respect to no more than the lesser of (i) One Hundred and Fifty Million (150,000,000) shares (plus any shares acquired by the Company pursuant to payment of the purchase price of shares under incentive stock options by delivery of other common shares of the Company), or (ii) the total number of shares reserved under paragraph 5 may be issued under the Plan.

20. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Program after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

21. DEFINITIONS.

(a) FAIR MARKET VALUE. Except as provided below, the Fair Market Value of the Company's common shares shall be determined by such methods or procedures as shall be established by the Committee; provided that, in the case of any Limited Stock Appreciation Right (other than a right related to an Incentive Stock Option), the Fair Market Value shall be the higher of:

(i) The highest daily closing price of the Company's common shares during the sixty (60) day period following the Change in Control; or

(ii) The highest gross price paid or to be paid for the Company's common shares in any of the transactions described in paragraphs 21(c)(i) and 21(c)(ii).

(b) SUBSIDIARY. The term "subsidiary" for all purposes other than the Incentive Stock Option provisions in paragraph 6, shall mean any corporation, partnership, joint venture or business trust, fifty percent (50%) or more of the control of which is owned, directly or indirectly, by the Company. For Incentive Stock Option purposes the term "subsidiary" shall be defined as provided in Internal Revenue Code Section 424(f).

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

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

(ii) the date the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by

the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

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

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

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of

transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

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

(d) DISABILITY. The term "disability" for all purposes of the Program shall mean the participant's disability as defined in subsection 4.1(a) of the Abbott Laboratories Extended Disability Plan for twelve (12) consecutive months.

22. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of issued common shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of shares reserved for issuance under this Program, the individual and aggregate limits described in paragraphs 11 and 19 on the number of shares that may be granted or issued (as the case may be), the number of shares covered by each outstanding Benefit and the purchase price of such shares shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Benefit shall not be changed. Subject to paragraph 22(c), the Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the Company or in the common shares resulting from reorganization, sale, merger, consolidation, spin-off or similar occurrence.

(b) Subject to paragraph 22(c), without affecting the number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Notwithstanding any other provision of this Program or the Prior Programs including the terms of any Benefit granted hereunder, if the outstanding common shares of the Company shall be combined, or be changed into, or exchanged for, another kind of stock of the Company, into securities of another corporation, or into property (including cash) whether through recapitalization, reorganization, sale, merger, consolidation, spin-off, business combination or a similar transaction (a "Transaction"), the Company shall cause its successor, acquiror (or ultimate parent of any successor or acquiror), as applicable, to assume each stock option, Stock Appreciation Right and Limited Stock Appreciation Right outstanding immediately prior to the Transaction (or to cause new options or rights to be substituted therefor). Pursuant to such assumed or substituted option or rights, participants shall thereafter be entitled to receive, upon due exercise of any portion of the option or right, (a) in the event of a Transaction in which the outstanding common shares of the Company are combined, or changed into, or

exchanged for, solely another kind of stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares), the securities which that person would have been entitled to receive for common shares acquired through exercise of the same portion of such option or right immediately prior to the effective date of such Transaction, and (b) in the event of a Transaction in which the outstanding common shares of the Company are changed into, or exchanged for, property (including cash) other than solely stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares), securities the fair market value of which immediately following the effective date of such Transaction (as determined by the Committee) equals the fair market value (as determined by the Committee) of the property which that person would have been entitled to receive for common shares acquired through exercise of the same portion of such option or right immediately prior to the effective date of such Transaction. In each case such assumed or substituted option or right shall continue to be subject to the same terms and conditions (including, without limitation, with respect to any right to receive "replacement options" upon option exercise) to which it was subject immediately prior to the Transaction.

Notwithstanding the immediately preceding paragraph, upon a Transaction in which the outstanding common shares of the Company are changed into, or exchanged for, property (including cash) other than solely stock of the Company or securities of another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares) and which constitutes a Change in Control, each participant may elect to receive, immediately following such Transaction in exchange for cancellation of any stock option (other than an Incentive Stock Option granted prior to June 20, 2003), Stock Appreciation Right or Limited Appreciation Right held by such participant immediately prior to the Transaction, a cash payment, with respect to each common share subject to such option or right, equal to the difference between the value of consideration (as determined by the

Committee) received by the shareholders for a common share of the Company in the Transaction, less any applicable purchase price.

(d) Notwithstanding any other provision of this Program or the Prior Programs including the terms of any Benefit granted hereunder, upon the occurrence of a Change in Control:

(i) All stock options then outstanding under this Program or the Prior Programs shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(ii) All Stock Appreciation Rights and Limited Stock Appreciation Rights then outstanding shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied as of the date of the Change in Control; and

(iv) All Performance Awards then outstanding shall be deemed to have been fully earned and to be immediately payable, in cash, as of the date of the Change in Control.

23. AMENDMENT AND TERMINATION OF PROGRAM. The Board of Directors may amend the Program from time to time or terminate the Program at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. Notwithstanding the foregoing, except as provided in paragraph 22, the Company shall neither lower the purchase price of any option granted under the Program nor grant any option under the Program in replacement of a cancelled option which had previously been granted at a higher purchase price, without shareholder approval. To the extent required for compliance with Rule 16b-3 of the Securities and Exchange Commission, paragraph 13 of the Program may not be amended more frequently than once every six months other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules thereunder, and no amendment of the Program shall result in any Committee member losing his or her status as a "disinterested person" as defined in Rule 16b-3 of the Securities and Exchange Commission with respect to any employee benefit plan of the Company or result in the Program or awards thereunder losing their exempt status under said Rule 16b-3.

24. EFFECTIVE DATE. The Program was originally adopted by the Board of Directors on October 13, 1995.

Exhibit 12

Abbott Laboratories
Computation of Ratio of Earnings to Fixed Charges
(Unaudited)
(dollars in millions)

	2003	2002	2001	2000	1999
NET EARNINGS	$ 2,753	$ 2,794	$ 1,550	$ 2,786	$ 2,446
ADD (DEDUCT)					
Taxes on earnings	981	880	333	1,030	951
Amortization of capitalized interest, net of capitalized interest	11	8	(6)	(3)	(1)
Minority interest	11	18	17	8	8
NET EARNINGS AS ADJUSTED	$ 3,756	$ 3,700	$ 1,894	$ 3,821	$ 3,404
FIXED CHARGES					
Interest on long-term and short-term debt	188	239	307	114	145
Capitalized interest cost	5	8	22	18	13
Rental expense represenative of an interest factor	63	59	50	48	44
TOTAL FIXED CHARGES	256	306	379	180	202
TOTAL ADJUSTED EARNINGS AVAILABLE FOR PAYMENT OF FIXED CHARGES	$ 4,012	$ 4,006	$ 2,273	$ 4,001	$ 3,606
RATIO OF EARNINGS TO FIXED CHARGES	15.7	13.1	6.0	22.2	17.9

NOTE: For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; 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 Bioresearch Center, Inc.	Delaware
Abbott Cardiovascular Inc.	Delaware
Abbott Chemicals Plant, Inc.	Puerto Rico
Abbott Equity Investments LLC	Delaware
Abbott Exchange Inc.	Delaware
Abbott Fermentation Products De Puerto Rico, Inc.	Puerto Rico
Abbott Health Products, Inc.	Delaware
Abbott Home Infusion Services of New York, Inc.	New York
Abbott International Ltd.	Delaware
Abbott International Ltd. of Puerto Rico	Puerto Rico
Abbott Investment Holdings Company, LLC	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 Pharmaceutical Corporation	Delaware
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal Ltd.	Delaware
AVI Corp.	Delaware
BioDisplay Technologies, Inc.	Illinois
CG Nutritionals, Inc.	Delaware
CMM Transportation, Inc.	Delaware
Corvette Acquisition Corp.	Delaware
IMTC Technologies, Inc.	Delaware
Integrated Vascular Systems, Inc.	Delaware
Knoll Pharmaceutical Company	New Jersey
Murex Diagnostics, Inc.	Delaware
North Shore Properties, Inc.	Delaware

Oximetrix, Inc.	Delaware	
Perclose, Inc.	Delaware	
S&G Nutritionals, Inc.	Delaware	
Solartek Products, Inc.	Delaware	
Sorenson Research Co., Inc.	Utah	
Spinal Concepts, Inc.	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	

* TAP Finance Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

** TAP Pharmaceuticals Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

Vysis, Inc.	Delaware
Woodside Biomedical, Inc.	Delaware
ZonePerfect Nutrition Company	Delaware

Foreign Subsidiaries	**Country in Which Organized**	
Abbott Laboratories Argentina, S.A.	Argentina	
Abbott Australasia Pty. Limited	Australia	
Abbott Australia Holdings (Pty) Ltd.	Australia	
Abbott Laboratories Executive Superannuation Pty. Limited	Australia	
Abbott Laboratories Superannuation Pty. Limited	Australia	
Knoll Australia Pty. Ltd.	Australia	
Abbott Gesellschaft m.b.H.	Austria	
Abbott Hospitals de Costa Rica Ltd.	Bahamas	
Abbott Hospitals Limited	Bahamas	
Abbott Laboratories de Costa Rica Ltd.	Bahamas	
Abbott Laboratories (Bangladesh) Ltd.	Bangladesh	85%
Murex Diagnostics International, Inc.	Barbados	
Abbott, S.A.	Belgium	
Abbott Belgian Pension Fund A.S.B.L.	Belgium	
Abbott Ireland	Bermuda	
Abbott Biotechnology Ltd.	Bermuda	
Abbott Laboratorios do Brasil Ltda.	Brazil	

Abbott Laboratories, Limited	Canada	
International Murex Technologies Corporation	Canada	
i-STAT Canada Limited	Canada	
Abbott Laboratories de Chile Limitada	Chile	
Shanghai Abbott Pharmaceutical Co., Ltd.	China	75%*
Abbott Laboratories de Colombia, S.A.	Colombia	
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 Equity Holdings Limited	England	
Abbott Investments Limited	England	
Abbott Laboratories Limited	England	
Abbott (UK) Finance Limited	England	
Abbott (UK) Holdings Limited	England	
Abbott Laboratories Trustee Company Limited	England	
Abbott Vascular Devices Limited	England	
Abbott Vascular Devices (2) Limited	England	
IMTC Holdings (UK) Limited	England	
Knoll Limited	England	
Knoll Pharma Limited	England	
Knoll Pharmaceuticals Ltd.	England	
Abbott Asia Holdings Limited	England	
Abbott Capital India Limited	England	

* Shanghai Abbott Pharmaceutical Co., Ltd. is 75% owned by Abbott Laboratories Ltd. (Hong Kong)

MediSense Britain Limited	England	
MediSense Contract Manufacturing Limited	England	
MediSense UK Limited	England	
Murex Biotech Limited	England	
Murex Biotech (UK) Limited	England	
Vysis UK Limited	England	
Abbott OY	Finland	
Abbott France S.A.S.	France	

Knoll Sante Active S.A.	France	
Vysis S.A.	France	
Abbott Holding GmbH	Germany	
Abbott GmbH & Co. KG	Germany	
Abbott Diagnostics GmbH	Germany	
Abbott Management GmbH	Germany	
Abbott Vascular Instruments Deutschland GmbH	Germany	
GAG Ludwigshafen am Rein,	Germany	
Abbott Laboratories (Hellas) S.A.	Greece	
Abbott Grenada Limited	Grenada	
Abbott Laboratorios, S.A.	Guatemala	
Abbott Laboratories Limited	Hong Kong	
Abbott Laboratories (Hungary) Ltd.	Hungary	
Abind Healthcare Private Limited	India	
Abbott India Limited	India	58.2%
Lenbrook Pharmaceuticals Ltd.	India	

P. T. Abbott Indonesia	Indonesia	99.99%
Abbott Laboratories, Ireland, Limited	Ireland	
Abbott Ireland Limited	Ireland	
Abbott Laboratories Vascular Enterprises Limited	Ireland	
Abbott Vascular Devices Ireland Limited	Ireland	
BiodivYsio Limited	Ireland	
Murex Medical Research Limited	Isle of Man	
Technology License Company Limited	Isle of Man	
Abbott S.p.A.	Italy	
Autonomous Employee Welfare Fund for Abbott S.p.A. Dirigenti	Italy	
Knoll-Ravizza Italy 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	82%
Abbott Vascular Devices Japan Co., Ltd.	Japan	
Knoll Japan K.K.	Japan	
Tofuku Shoii K.K.	Japan	
Abbott Korea Limited	Korea	
Abbott Laboratories (Malaysia) Sdn. Bhd.	Malaysia	
Abbott Laboratories de Mexico, S.A. de C.V.	Mexico	

Abbott Logistics B.V.	The Netherlands	
Abbott B.V.	The Netherlands	
Abbott Laboratories B.V.	The Netherlands	
Abbott Finance B.V.	The Netherlands	
Abbott Holdings B.V.	The Netherlands	
Abbott Vascular Devices Holland B.V.	The Netherlands	
Knoll B.V.	The Netherlands	
MediSense Europe B.V.	The Netherlands	
IMTC Holdings B.V.	The Netherlands	
IMTC Finance B.V.	The Netherlands	
Abbott Laboratories (N.Z.) 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	
Knoll Philippines, Inc.	Philippines*	
Abbott Laboratories Sp.z.o.o.	Poland	
Abbott Laboratorios, Limitada	Portugal	
Abbottfarma - Promoção de Produtos Farmaceuticos, Limitada	Portugal	
Abbott Laboratories (Singapore) Private Limited	Singapore	
Abbott Laboratories Slovakia s.r.o.	Slovakia	
Abbott Laboratories South Africa (Proprietary) Limited	South Africa	
Knoll Pharmaceuticals South Africa Pty. Ltd.	South Africa	
Abbott Laboratories, S.A.	Spain	
Abbott Cientifica, S.A.	Spain	
Bioresearch S.A.	Spain	
Liade S.A.	Spain	
Abbott Scandinavia A.B.	Sweden	
Abbott AG	Switzerland	
Abbott Laboratories S.A.	Switzerland	
Abbott Finance Company S.A.	Switzerland	
Knoll AG	Switzerland	
Knoll Bio-Research S.A.	Switzerland	

Abbott Laboratories Limited	Thailand
Abbott Laboratuarlari Ithalat Ihracat Ve Tecaret Limited Sirketi	Turkey
i-STAT Europe, Inc.	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 PUBLIC ACCOUNTANTS

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 and 333-109250 for the Abbott Laboratories 1996 Incentive Stock Program; 333-13091 and 333-74222 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust; 333-68268 for the Abbott Laboratories 401(k) Plan and Trust; 333-74220 and 333-102179 for the Abbott Laboratories Deferred Compensation Plan; 333-76516 for the Abbott Laboratories Employee Share Ownership 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 and 333-109253 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. 333-85867 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 related to Abbott Laboratories and subsidiaries dated February 11, 2004 (which reports express unqualified opinions and include explanatory paragraphs related to our audit of certain 2001 disclosures in Note 5 related to pensions and other postemployment benefits, and Abbott Laboratories' change in its method of accounting for goodwill and intangible assets, and our audit of the 2001 transitional disclosures in Note 15 required by the change), appearing in this Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2003.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 24, 2004

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Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

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 and 333-109250 for the Abbott Laboratories 1996 Incentive Stock Program; 333-13091 and 333-74222 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust; 333-68268 for the Abbott Laboratories 401(k) Plan and Trust; 333-74220 and 333-102179 for the Abbott Laboratories Deferred Compensation Plan; 333-76516 for the Abbott Laboratories Employee Share Ownership 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 and 333-109253 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 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 33-50253, 333-06155, 333-63481, 333-65601, 333-83647, 333-55446 and 333-109132 of our reports related to TAP Pharmaceutical Products Inc. and subsidiaries dated February 6, 2004 appearing in this Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2003.

DELOITTE & TOUCHE LLP

Chicago, Illinois
February 24, 2004

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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 Laboratories as of, and for, the periods presented in this report;

4. Abbott Laboratories' 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)) for Abbott Laboratories 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 Laboratories, 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) Evaluated the effectiveness of Abbott Laboratories' 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

   c) Disclosed in this report any change in Abbott Laboratories' internal control over financial reporting that occurred during Abbott Laboratories' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott Laboratories' internal control over financial reporting; and

5. Abbott Laboratories' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott Laboratories' auditors and the audit committee of Abbott Laboratories' 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 Laboratories' 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 Laboratories' internal control over financial reporting.

Date: February 24, 2004

/s/ MILES D. WHITE

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

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Exhibit 31.1

Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

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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 Laboratories as of, and for, the periods presented in this report;

4. Abbott Laboratories' 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)) for Abbott Laboratories 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 Laboratories, 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) Evaluated the effectiveness of Abbott Laboratories' 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

   c) Disclosed in this report any change in Abbott Laboratories' internal control over financial reporting that occurred during Abbott Laboratories' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott Laboratories' internal control over financial reporting; and

5. Abbott Laboratories' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott Laboratories' auditors and the audit committee of Abbott Laboratories' 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 Laboratories' 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 Laboratories' internal control over financial reporting.

Date: February 24, 2004

/s/ THOMAS C. FREYMAN

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

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Exhibit 31.2

Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

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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 fiscal year ended December 31, 2003 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 24, 2004

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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Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

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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 fiscal year ended December 31, 2003 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 24, 2004

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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Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

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 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 and distributors, 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

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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 U.S. military action, and (ii) 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 resulting from evolving business strategies and opportunities existing now or in the future, such as acquisitions, restructurings or dispositions, including the planned spin-off of Abbott's core global hospital products business.

- 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 planned spin-off of Abbott's core global hospital products business.

- 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) 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 2003 Form 10-K under the caption "Regulation," and Abbott's ability to successfully

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return diagnostic products affected by this consent decree to market, and (x) issues regarding compliance with any corporate integrity agreement, including the corporate integrity agreement between Abbott and the Office of Inspector General for the U.S. Department of Health and Human Services described under the caption "Legal Proceedings" in Abbott's 2003 Form 10-K.

- Changes in accounting standards 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.