

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended September 30, 1994

OR

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

For the transition period from _____ to _____

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

I.R.S. Employer Identification

No. 36-0698440

100 Abbott Park Road
Abbott Park, Illinois 60064-3500

Telephone: (708) 937-6100

One Abbott Park Road
Abbott Park, Illinois 60064-3500
(Former address, changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

As of October 31, 1994, the Corporation had 806,287,192 common shares without par value outstanding.

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

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1994	1993	1994	1993
Net Sales.....	\$2,254,817	\$2,060,443	\$6,674,095	\$6,179,846
Cost of products sold.....	1,015,831	917,072	2,926,919	2,737,235
Research and development.....	239,390	225,159	711,176	639,611
Selling, general and administrative...	515,568	472,974	1,481,491	1,493,010
Provision for product withdrawal.....	-	-	-	(70,000)
Total Operating Cost and Expenses...	1,770,789	1,615,205	5,119,586	4,799,856
Operating Earnings.....	484,028	445,238	1,554,509	1,379,990
Interest expense.....	12,776	13,292	36,525	41,455
Interest and dividend income.....	(9,131)	(9,238)	(25,857)	(28,769)
Other (income) expense, net.....	(21,535)	1,995	(19,204)	(32,469)
Earnings Before Taxes.....	501,918	439,189	1,563,045	1,399,773
Taxes on Earnings.....	150,576	122,972	468,914	391,936
Net Earnings.....	\$ 351,342	\$ 316,217	\$1,094,131	\$1,007,837
Net Earnings Per Common Share.....	\$.43	\$.38	\$1.34	\$1.21
Cash Dividends Declared Per Common Share.....	\$.19	\$.17	\$.57	\$.51

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

	SEPTEMBER 30	DECEMBER 31
	----- 1994	----- 1993
	----- (unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 222,031	\$ 300,676
Investment securities.....	96,656	78,149
Trade Receivables, less allowances of \$118,064 in 1994 and \$116,925 in 1993.....	1,472,024	1,336,222
Inventories:		
Finished products.....	544,081	476,548
Work in process.....	230,183	216,493
Materials.....	282,847	247,492
Total Inventories.....	----- 1,057,111	----- 940,533
Prepaid income taxes.....	487,124	458,026
Other prepaid expenses and receivables.....	525,334	471,929
Total Current Assets.....	----- 3,860,280	----- 3,585,535
Investment Securities Maturing after One Year.....	286,895	221,815
Property and Equipment, at Cost.....	6,904,109	6,221,146
Less: accumulated depreciation and amortization.....	----- 3,081,122	----- 2,710,155
Net Property and Equipment.....	3,822,987	3,510,991
Deferred Charges and Other Assets.....	385,996	370,228
	----- \$8,356,158	----- \$7,688,569
	-----	-----
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt.....	\$ 764,265	\$ 843,594
Trade accounts payable.....	592,479	638,509
Salaries, income taxes, dividends payable, and other accruals.....	2,051,021	1,612,830
Total Current Liabilities.....	----- 3,407,765	----- 3,094,933
Long-Term Debt.....	307,920	306,840
Other Liabilities and Deferrals.....	681,984	611,867
Shareholders' Investment:		
Preferred shares, \$1 par value		
Authorized - 1,000,000 shares, none issued		
Common shares, without par value		
Authorized - 1,200,000,000 shares		
Issued at stated capital amount -		
1994: 817,698,668 shares; 1993: 830,941,614 shares.....	500,539	469,828
Earnings employed in the business.....	3,552,056	3,364,952
Cumulative translation adjustments.....	(37,281)	(100,716)
	----- 4,015,314	----- 3,734,064

Less:		
Common shares held in treasury, at cost -		
1994: 9,800,252 shares; 1993: 9,811,930 shares.....	51,721	51,783
Unearned compensation - restricted stock awards.....	5,104	7,352
	-----	-----
Total Shareholders' Investment.....	3,958,489	3,674,929
	-----	-----
	8,356,158	\$7,688,569
	-----	-----
	-----	-----

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

ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(UNAUDITED)

(Dollars in thousands)

	NINE MONTHS ENDED SEPTEMBER 30	
	1994	1993
Cash Flow From (Used in) Operating Activities:		
Net earnings.....	\$1,094,131	\$1,007,837
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization.....	391,049	376,251
Trade receivables.....	(100,140)	(135,841)
Inventories.....	(87,128)	(74,632)
Provision for product withdrawal.....	-	(70,000)
Other, net.....	322,531	271,234
	1,620,443	1,374,849
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment.....	(689,270)	(697,042)
Investment securities transactions.....	(83,754)	(34,209)
Other.....	21,425	39,178
	(751,599)	(692,073)
Cash Flow From (Used in) Financing Activities:		
Borrowing transactions.....	(85,855)	47,432
Common share transactions.....	(413,802)	(297,112)
Dividends paid.....	(448,899)	(407,779)
	(948,556)	(657,459)
Effect of exchange rate changes on cash and cash equivalents.....	1,067	(4,120)
Net Increase/(Decrease) in Cash and Cash Equivalents...	(78,645)	21,197
Cash and Cash Equivalents, Beginning of Year.....	300,676	116,576
Cash and Cash Equivalents, End of Period.....	\$ 222,031	\$ 137,773

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

ABBOTT LABORATORIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

(UNAUDITED)

NOTE 1 - BASIS OF PREPARATION:

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the financial position, cash flows, and results of operations have been made. It is suggested that these statements be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

NOTE 2 - EARNINGS PER COMMON SHARE:

Earnings per common share amounts are computed by using the weighted average number of common shares outstanding. These shares averaged 814,480,000 for the nine months ended September 30, 1994 and 830,898,000 for the same period in 1993.

NOTE 3 - TAXES ON EARNINGS:

Taxes on earnings reflect the estimated annual effective tax rates. The effective tax rates are less than the statutory U.S. Federal income tax rate principally due to tax incentive grants related to subsidiaries operating in Puerto Rico and Ireland. The increase in the effective tax rate from 28 percent in 1993 to 30 percent in 1994 is due primarily to the increase in the statutory U.S. Federal income tax rate and the reduction in the tax incentive grants for operations in Puerto Rico.

NOTE 4 - LITIGATION AND ENVIRONMENTAL MATTERS:

The Company is involved in various claims and legal proceedings including numerous antitrust suits and investigations in connection with the sale and marketing of infant formula and the pricing of prescription pharmaceutical products.

The Company is also involved in numerous product liability cases, many of which allege injuries to the offspring of women who ingested a synthetic estrogen (DES) during pregnancy. In addition, the Company has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under Federal remediation laws and is voluntarily investigating potential contamination at a number of Company-owned locations.

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

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

NOTE 5 - OTHER SIGNIFICANT EVENTS:

In June 1992, the Company voluntarily withdrew from the worldwide market its quinolone anti-infective, temafloxacin, and recorded a charge for costs associated with this withdrawal. In the second quarter 1993, the Company resolved various contingencies relative to the temafloxacin withdrawal and recorded a credit for these items.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - THIRD QUARTER AND FIRST NINE MONTHS 1994 COMPARED WITH SAME PERIODS IN 1993

Worldwide sales for the third quarter and first nine months increased 9.4 percent and 8.0 percent, respectively, over the comparable 1993 periods. Net earnings increased 11.1 percent and 8.6 percent, respectively, in the third quarter and first nine months 1994. Earnings per share increased 13.2 percent and 10.7 percent, respectively, in the third quarter and first nine months 1994.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) of 56.1 percent for the first nine months of 1994 was up from 55.7 percent one year ago primarily due to product mix. Gross margin of 54.9 percent for the third quarter 1994 was down from 55.5 percent in the third quarter of 1993. This decrease was due to timing of certain expenses incurred in the third quarter of 1994 which were incurred in earlier quarters in 1993, partially offset by product mix.

Research and development expenses were \$239.4 million and \$711.2 million for the third quarter and first nine months 1994, respectively. This represented 10.6 percent and 10.7 percent of net sales, compared to 10.9 percent and 10.3 percent in 1993. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general, and administrative expenses for the third quarter increased 9.0 percent over the prior year and decreased 0.8 percent for the nine months ended September 30. The first nine month decrease reflects the settlement in 1993 of certain claims and legal proceedings in connection with the sale and marketing of infant formula products. In the second quarter of 1993, the Company recorded a pre-tax charge to earnings of approximately \$104 million in connection with these settlements.

During the second quarter of 1993, the Company resolved various contingencies relative to the temafloxacin withdrawal. The Company recorded a pre-tax credit to earnings of \$70 million for these items.

Other (income) expense, net, includes net foreign exchange losses of \$1.9 million and \$29.5 million, respectively, for the third quarter and first nine months 1994 compared with net foreign exchange losses of \$11.8 million and \$31.0 million for the corresponding prior year periods. Also included in the first nine months of 1993 is the gain on the sale of the Company's peritoneal dialysis product line.

The effective income tax rate increased from 28 percent in 1993 to 30 percent in 1994 due primarily to the increase in the statutory U.S. Federal income tax rate and the reduction in tax incentive grants for Puerto Rico operations.

INDUSTRY SEGMENTS

Industry segment sales for the third quarter and first nine months 1994 and the related change from the comparable 1993 periods are shown in the table below. The Pharmaceutical and Nutritional Products segment includes a broad line of adult and pediatric pharmaceuticals and nutritionals, which are sold primarily on the prescription or recommendation of physicians or other health care professionals; consumer products; agricultural and chemical products; and bulk pharmaceuticals. The Hospital and Laboratory Products segment includes diagnostic systems for blood banks, hospitals, commercial laboratories and alternate-care testing sites; intravenous and irrigation fluids and related administration equipment; drugs and drug delivery systems; anesthetics; critical care products; and other medical specialty products for hospitals and alternate-care sites.

Domestic and international sales for the third quarter and first nine months 1994 primarily reflect unit growth. International sales were favorably affected 1.8 percent by the relatively weaker dollar in the third quarter. On a year-to-date basis, international sales were adversely affected 1.8 percent due to the relatively stronger U.S. dollar.

SEGMENT SALES (in millions of dollars)	Third Quarter		Nine Months	
	1994 Sales	Percent Increase	1994 Sales	Percent Increase
Pharmaceutical and Nutritional Products:				
Domestic	\$ 834.9	13.1	\$2,466.0	11.7
International	374.6	17.1	1,136.5	13.2
	1,209.5	14.3	3,602.5	12.2
Hospital and Laboratory Products:				
Domestic	566.2	2.3	1,704.3	2.8
International	479.1	6.8	1,367.3	4.2
	1,045.3	4.3	3,071.6	3.5
Total All Segments:				
Domestic	1,401.1	8.4	4,170.3	7.9
International	853.7	11.1	2,503.8	8.1
	\$2,254.8	9.4	\$6,674.1	8.0

FINANCIAL REVIEW
(continued)

LIQUIDITY AND CAPITAL RESOURCES AT SEPTEMBER 30, 1994
COMPARED WITH DECEMBER 31, 1993

Net cash from operating activities for the first nine months 1994 totaled \$1.620 billion. The Company expects annual cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

The Company has maintained its favorable bond ratings (AAA by Standard & Poor's Corporation and Aa1 by Moody's Investors Service) and continues to have readily available financial resources, including unused domestic lines of credit of \$300 million at September 30, 1994.

During the first nine months 1994, the Company continued its program to purchase its common shares. The Company purchased and retired 15,376,000 shares during this period at a cost of \$446 million. As of September 30, 1994, an additional 18,725,000 shares may be purchased in future periods under authorization granted by the Board of Directors in September 1994.

LEGISLATIVE ISSUES

The Company's primary markets are highly competitive and subject to substantial government regulation. In the U.S., comprehensive legislation may be enacted that could make significant changes to the availability, delivery and payment for health care products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which the Company or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, in the Annual Report on Form 10-K, which is available upon request.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's 10-Q for the quarter ended June 30, 1994 described 19 antitrust suits (as of June 30, 1994) regarding the pricing of prescription pharmaceuticals. Nine additional lawsuits have been filed since June 30, 1994. Five of these lawsuits were filed in federal court in the Northern District of Illinois. These five cases were filed on July 1, August 1, August 18, August 31 and September 16, 1994, respectively. In addition, on July 7, 1994, a case was filed in federal court in the Eastern District of Pennsylvania; on July 12, 1994, a case was filed in state court in San Francisco County, California; on July 28, 1994, a case was filed in state court in Dane County, Wisconsin; and, on July 28, 1994, a case was filed in federal court in the Eastern District of Missouri. The cases that were filed in Pennsylvania and in California both purport to be statewide class actions on behalf of retail pharmacies. The plaintiffs in these nine cases seek unspecified treble damages, attorneys' fees, and declaratory and injunctive relief and have named the Company and numerous other pharmaceutical manufacturers and wholesalers as defendants. As of September 30, 1994, the Company has been named as a defendant in 28 pending antitrust suits regarding the pricing of prescription pharmaceuticals. The Company intends to defend itself in these lawsuits and to deny all substantive allegations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 1994.

SIGNATURE

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

ABBOTT LABORATORIES

Date: November 10, 1994

/S/ Theodore A. Olson

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

	NINE MONTHS ENDED SEPTEMBER 30	
	1994	1993
1. Net earnings	\$ 1,094.1	\$ 1,007.8
2. Average number of shares outstanding	814.5	830.9
3. Earnings per share based upon average outstanding shares (1 divided by 2)	\$ 1.34	\$ 1.21
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	18.1	19.3
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	\$ 321.7	\$ 299.6
c. Market price of the Company's common stock at quarter-end	\$ 31.375	\$ 27.375
d. Shares which could be repurchased under the treasury stock method (4.b. divided by 4.c.)	10.3	10.9
e. Addition to average outstanding shares (4.a. - 4.d.)	7.8	8.4
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	822.3	839.3
g. Fully diluted earnings per share (1. divided by 4.f.)	\$ 1.33	\$ 1.21

ABBOTT LABORATORIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars)

NINE MONTHS ENDED
SEPTEMBER 30, 1994

Net Earnings	\$ 1,094
Add (deduct):	
Income taxes	469
Capitalized interest cost, net of amortization	(5)
Minority interest	8
Net earnings as adjusted	\$ 1,566
Fixed Charges:	
Interest on long-term and short-term debt	37
Capitalized interest cost	13
Rental expense representative of an interest factor	19
Total Fixed Charges	69
Total adjusted earnings available for payment of fixed charges	\$ 1,635
Ratio of earnings to fixed charges	23.7

NOTE: For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; interest expense; capitalized interest cost, net of amortization; minority interest; and the portion of rentals representative of the interest factor, (ii) the Company considers one-third of rental expense to be the amount representing return on capital, and (iii) fixed charges comprise total interest expense, including capitalized interest and such portion of rentals.

THIS SCHEDULE CONTAINS NINE MONTH SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ABBOTT LABORATORIES' 1994 THIRD QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FILING.

1,000

9-MOS		
	DEC-31-1994	
	JAN-01-1994	
	SEP-30-1994	
		222,031
		96,656
		1,590,088
		118,064
		1,057,111
	3,860,280	6,904,109
		3,081,122
		8,356,158
3,407,765		
		307,920
		500,539
	0	
		0
		3,457,950
8,356,158		
		6,674,095
	6,674,095	
		2,926,919
		2,926,919
		711,176
		6,659
		36,525
		1,563,045
		468,914
1,094,131		
		0
		0
		0
		1,094,131
		1.34
		1.33

OTHER EXPENSES ARE RESEARCH AND DEVELOPMENT EXPENSES