FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended September 30, 1996

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: (847) 937-6100

Indicate by check mark whether the registrant (l) 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 .

As of October 31, 1996, the Corporation had 776,845,109 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	
	1996	1995	1996	1995
Net Sales	$2,646,194	$2,390,753	$8,017,611	$7,415,460
Cost of products sold	1,177,247	1,070,253	3,477,411	3,245,187
Research and development	278,970	255,829	852,432	790,364
Selling, general and administrative. . .	615,269	521,754	1,786,481	1,652,863
Total Operating Cost and Expenses. . .	2,071,486	1,847,836	6,116,324	5,688,414
Operating Earnings	574,708	542,917	1,901,287	1,727,046
Interest expense	28,195	18,420	68,030	50,224
Interest income	(10,930)	(13,173)	(31,606)	(37,385)
Other (income) expense, net	(39,560)	(4,246)	(80,412)	(21,020)
Earnings Before Taxes	597,003	541,916	1,945,275	1,735,227
Taxes on Earnings	176,116	159,865	573,856	511,892
Net Earnings	$ 420,887	$ 382,051	$1,371,419	$1,223,335
Net Earnings Per Common Share	$.54	$.48	$1.75	$1.53
Cash Dividends Declared Per Common Share	$.24	$.21	$.72	$.63

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 1996 (unaudited)	DECEMBER 31 1995
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 139,896	$ 281,197
Investment securities	39,274	34,500
Trade Receivables, less allowances of $150,415 in 1996 and $157,990 in 1995	1,549,738	1,563,038
Inventories:		
Finished products	622,361	560,637
Work in process	261,144	238,943
Materials	341,200	311,361
Total Inventories	1,224,705	1,110,941
Prepaid income taxes	649,218	651,436
Other prepaid expenses and receivables	671,020	585,599
Total Current Assets	4,273,851	4,226,711
Investment Securities Maturing after One Year	529,588	422,547
Property and Equipment, at Cost	8,242,116	7,762,442
Less: accumulated depreciation and amortization	3,839,638	3,512,904
Net Property and Equipment	4,402,478	4,249,538
Deferred Charges, Intangible and Other Assets	1,463,425	513,784
	$10,669,342	$ 9,412,580
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 1,451,543	$ 1,049,863
Trade accounts payable	788,092	755,921
Salaries, income taxes, dividends payable, and other accruals	2,048,253	1,984,530
Total Current Liabilities	4,287,888	3,790,314
Long-Term Debt	682,166	435,198
Other Liabilities and Deferrals:		
Deferred Income Taxes	174,368	67,993
Other	810,950	722,228
Total Other Liabilities and Deferrals	985,318	790,221
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 - 1996: 787,366,358 shares; 1995: 797,021,211 shares	659,274	581,562

Earnings employed in the business	4,174,554	3,926,917
Cumulative translation adjustments	(63,662)	(55,646)
	4,770,166	4,452,833
Less:		
Common shares held in treasury, at cost - 1996: 9,660,632 shares; 1995: 9,714,379 shares	50,985	51,268
Unearned compensation - restricted stock awards	5,211	4,718
Total Shareholders' Investment	4,713,970	4,396,847
	$10,669,342	$ 9,412,580

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(Dollars in thousands)

	NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995
Cash Flow From (Used in) Operating Activities:		
Net earnings	$1,371,419	$1,223,335
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization	508,059	399,494
Trade receivables	18,495	5,039
Inventories	(105,848)	(30,789)
Other, net	19,419	(42,680)
Net Cash From Operating Activities	1,811,544	1,554,399
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(681,573)	(698,881)
Acquisition of MediSense, net of cash acquired	(815,290)	-
Investment securities transactions	(85,186)	(160,778)
Other	19,118	17,239
Net Cash (Used in) Investing Activities	(1,562,931)	(842,420)
Cash Flow From (Used in) Financing Activities:		
Borrowing transactions	649,052	299,834
Common share transactions	(493,058)	(490,873)
Dividends paid	(541,439)	(487,309)
Net Cash (Used in) Financing Activities	(385,445)	(678,348)
Effect of exchange rate changes on cash and cash equivalents	(4,469)	(3,104)
Net Increase (Decrease) in Cash and Cash Equivalents	(141,301)	30,527
Cash and Cash Equivalents, Beginning of Year	281,197	290,272
Cash and Cash Equivalents, End of Period	$ 139,896	$ 320,799

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, 1996

(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, 1995.

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 782,915,000 for the nine months ended September 30, 1996 and 797,321,000 for the same period in 1995.

NOTE 3 - TAXES ON EARNINGS:

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

NOTE 4 - LITIGATION AND ENVIRONMENTAL MATTERS:

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

In addition, the Company has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under Federal remediation laws and is voluntarily investigating potential contamination at a number of Company-owned locations.

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

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

NOTE 5 - ACQUISITION OF MEDISENSE:

In the second and third quarters 1996, the Company acquired, for cash, all of the outstanding shares of MediSense, Inc. (MediSense), a manufacturer of blood glucose self-testing systems. A substantial portion of the purchase price was allocated to intangible assets, including goodwill, which will be amortized on a straight-line basis over up to 40 years. In addition, $37 million was charged against earnings for acquired in-process research and development. Had this acquisition occurred on January 1, 1995, consolidated sales and net income would not have been significantly different from reported amounts.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - THIRD QUARTER AND FIRST NINE MONTHS 1996 COMPARED WITH SAME PERIODS IN 1995

Worldwide sales for the third quarter and first nine months increased 10.7 percent and 8.1 percent, respectively, over the comparable 1995 periods. Net earnings increased 10.2 percent and 12.1 percent, respectively, in the third quarter and first nine months 1996. Earnings per share increased 12.5 percent and 14.4 percent, respectively, over the prior year periods.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) was 55.5 percent for the 1996 third quarter, compared to 55.2 percent for the 1995 third quarter. First nine months gross profit margin was 56.6 percent, compared to 56.2 percent a year earlier. These increases are due primarily to favorable product mix, especially higher sales of pharmaceuticals, and productivity improvements; partially offset by higher project expenses for new products and the effects of inflation.

Research and development expenses were $279.0 million for the third quarter 1996 and $852.4 million for the nine months 1996, including $37 million of acquired in-process research and development related to the purchase of MediSense. The nine month 1995 results included a similar charge for the acquisition of certain technologies. Research and development represented 10.5 percent and 10.6 percent of net sales in the third quarter and first nine months 1996, compared to 10.7 percent for both periods in 1995. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses for the third quarter and first nine months 1996 increased 17.9 percent and 8.1 percent, respectively, over the comparable prior year periods, net of the favorable effect of the relatively stronger U.S. dollar of 2.8 percent and 1.7 percent, respectively. The net increases reflect additional selling and marketing support for new and existing products, primarily for pharmaceutical and nutritional products, partially offset for the nine months 1996 by lower litigation expenses and the absence of contributions to the Company's charitable foundation in 1996.

Other (income) expense, net, includes net foreign exchange losses of $4.5 million and $17.7 million, respectively, for the third quarter and first nine months 1996 compared with net foreign exchange losses of $3.5 million and $19.0 million for the corresponding prior year periods. Other (income) expense, net, also includes the Company's share of the income from joint ventures, primarily TAP Holdings Inc., and minority interest expense.

INDUSTRY SEGMENTS

Industry segment sales for the third quarter and first nine months 1996 and the related change from the comparable 1995 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 consumers and 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 1996 primarily reflect unit growth. International sales were unfavorably affected 6.5 percent by the relatively stronger dollar in the third quarter. On a year-to-date basis, international sales were unfavorably affected 4.0 percent by the relatively stronger U.S. dollar.

	Third Quarter		Nine Months	
SEGMENT SALES (in millions of dollars)	1996 Sales	Percent Increase	1996 Sales	Percent Increase
Pharmaceutical and Nutritional Products:				
Domestic	$ 956.6	13.9	$2,992.4	10.2
International	499.3	7.8	1,594.2	9.4
	1,455.9	11.7	4,586.6	9.9
Hospital and Laboratory Products:				
Domestic	648.2	12.8	1,843.4	6.0
International	542.1	5.7	1,587.6	5.5
	1,190.3	9.4	3,431.0	5.8
Total All Segments:				
Domestic	1,604.8	13.4	4,835.8	8.6
International	1,041.4	6.7	3,181.8	7.4
	$2,646.2	10.7	$8,017.6	8.1

FINANCIAL REVIEW
(continued)

LIQUIDITY AND CAPITAL RESOURCES AT SEPTEMBER 30, 1996
COMPARED WITH DECEMBER 31, 1995

Net cash from operating activities for the first nine months 1996 totaled $1.812 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 funded the acquisition of MediSense through commercial paper borrowings.

The Company has maintained its favorable bond ratings (AAA by Standard & Poor's Corporation and Aa1 by Moody's Investors Service) and continues to have readily available financial resources, including unused domestic lines of credit of $1.5 billion at September 30, 1996. These lines of credit back up domestic commercial paper borrowing arrangements.

During the first nine months 1996, the Company continued its program to purchase its common shares. The Company purchased and retired 13,155,000 shares during this period at a cost of $570 million. An additional 20,215,000 shares may be purchased in future periods under authorization granted by the Board of Directors in October 1996 and September 1995.

In June 1996, the Company filed a registration statement with the Securities and Exchange Commission. The Company may issue up to $650 million of debt securities in the future under this registration statement.

LEGISLATIVE ISSUES

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's 10-Q for the fiscal quarter ending March 31, 1996 reported that on March 15, 1996, the North Carolina Department of Environment, Health, and Natural Resources ("DEHNR") issued a Notice of Initiation of Enforcement Action to the Company alleging that during the period between 1987 and 1993 the Company violated certain air quality regulations in North Carolina. On August 20, 1996, the Company and DEHNR concluded the Enforcement Action by executing a settlement agreement. Under the settlement agreement, the Company does not admit liability but does agree to make a settlement payment of $675,000.

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, 1996.

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 13, 1996

/s/ Theodore A. Olson

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

EXHIBIT 11

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 1996	NINE MONTHS ENDED SEPTEMBER 30 1995
1. Net earnings	$ 1,371.4	$ 1,223.3
2. Average number of shares outstanding	782.9	797.3
3. Earnings per share based upon average outstanding shares (1 divided by 2)	$ 1.75	$ 1.53
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	31.5	30.0
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	$ 994.0	$ 828.1
c. Market price of the Company's common stock at quarter-end	$ 49.250	$ 42.625
d. Shares which could be repurchased under the treasury stock method (4.b. divided by 4.c.)	20.2	19.4
e. Addition to average outstanding shares (4.a. - 4.d.)	11.3	10.6
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	794.2	807.9
g. Fully diluted earnings per share (1. divided by 4.f.)	$ 1.73	$ 1.51

EXHIBIT 12

ABBOTT LABORATORIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars)

	NINE MONTHS ENDED SEPTEMBER 30, 1996
Net Earnings	$ 1,371
Add:	
Income taxes	574
Minority interest	13
Net earnings as adjusted	1,958
Fixed Charges:	
Interest on long-term and short-term debt	68
Capitalized interest cost	9
Rental expense representative of an interest factor	20
Total Fixed Charges	97
Total adjusted earnings available for payment of fixed charges	$ 2,055
Ratio of earnings to fixed charges	21.2

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.

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

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9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
139,896
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659,274
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8,017,611
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1,371,419
1.75
1.73

OTHER EXPENSES CONSIST OF RESEARCH AND DEVELOPMENT EXPENSES.