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

FORM 10-K

(MARK ONE)

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

OR

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 COMMISSION FILE NUMBER 1-2189

[LOGO] 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	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. [ ]

THE AGGREGATE MARKET VALUE OF THE 1,402,593,853 SHARES OF VOTING STOCK HELD BY NONAFFILIATES OF THE REGISTRANT, COMPUTED BY USING THE CLOSING PRICE AS REPORTED ON THE CONSOLIDATED TRANSACTION REPORTING SYSTEM FOR ABBOTT LABORATORIES COMMON SHARES WITHOUT PAR VALUE ON JANUARY 29, 1999, WAS APPROXIMATELY $65,132,952,049. ABBOTT HAS NO NON-VOTING COMMON EQUITY.

NUMBER OF COMMON SHARES OUTSTANDING AS OF JANUARY 31, 1999: 1,517,068,371.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE ABBOTT LABORATORIES ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1998 ARE INCORPORATED BY REFERENCE INTO PARTS I, II, AND IV.

PORTIONS OF THE 1999 ABBOTT LABORATORIES PROXY STATEMENT ARE INCORPORATED BY REFERENCE INTO PART III.

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 and services.

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

Incorporated herein by reference is the footnote entitled "Segment and Geographic Area Information" of the Consolidated Financial Statements in the Abbott Laboratories Annual Report for the year ended December 31, 1998 (1998 Annual Report), filed as an exhibit to this report.

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has six revenue segments: Pharmaceutical Products, Diagnostic Products, Hospital Products, Ross Products, International, and Chemical and Agricultural Products. Abbott also has a 50 percent owned joint venture, TAP Holdings Inc.

PHARMACEUTICAL PRODUCTS

This 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 this segment are the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin-Registered Trademark-, and various forms of erythromycin, sold primarily as PCE-Registered Trademark- or polymer coated erythromycin, Erythrocin-Registered Trademark-, and E.E.S.-Registered Trademark-; agents for the treatment of epilepsy, migraine and bipolar disorder, including Depakote-Registered Trademark- and Gabitril-Registered Trademark-; a broad line of cardiovascular products, including Hytrin-Registered Trademark-, used as an anti-hypertensive and for the treatment of benign prostatic hyperplasia; Abbokinase-Registered Trademark-, a thrombolytic drug; TriCor-TM- for the treatment of elevated triglycerides; and the anti-viral Norvir-Registered Trademark-, a protease inhibitor for the treatment of HIV infection. In addition, this segment co-promotes the proton pump inhibitor Prevacid-Registered Trademark- (lansoprazole), for the short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis, under an agreement with TAP Pharmaceuticals, Inc.

This segment markets its products in the United States. These products are generally sold directly to wholesalers, government agencies, health care facilities, and independent retailers from Abbott-owned distribution centers and public warehouses. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of Abbott'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 broad line 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

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* 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.

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

This segment's products include diagnostic systems and tests for blood banks, hospitals, commercial laboratories, alternate-care testing sites, and consumers.

The principal products included in this segment are screening 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; tests for determining levels of abused drugs; physiological diagnostic tests; cancer monitoring tests including tests for prostate specific antigen; laboratory tests and therapeutic drug monitoring systems such as TDx-Registered Trademark-; clinical chemistry systems such as Abbott Spectrum-Registered Trademark-, Abbott Aeroset-TM-, Abbott Alycon-TM-, and Abbott Vision-Registered Trademark-; Quantum-TM-; AxSYM-Registered Trademark-, Commander-Registered Trademark-, IMx-Registered Trademark-, and Abbott PRISM-Registered Trademark- lines of diagnostic instruments and chemical reagents used to perform immunoassay diagnostic tests; the Murex-Registered Trademark- line of microtiter-based immunoassay test kits; the LCx-Registered Trademark- amplified probe system and reagents; the Abbott TestPack-Registered Trademark- system for rapid diagnostic testing; a full line of hematology systems and reagents known as the Cell-Dyn-Registered Trademark- series; the MediSense-Registered Trademark- line of blood glucose monitoring meters and test strips for diabetics including Precision Q.I.D.-Registered Trademark-, the Precision G-Registered Trademark- hospital system, the ExacTech-Registered Trademark-, the MediSense II-TM-, and the ExacTech RSG-TM-; and the Fact Plus-Registered Trademark- and Fact Plus-Registered Trademark- One Step pregnancy tests. In addition, this segment distributes the i-STAT-Registered Trademark- point-of-care testing system through an exclusive long-term sales and marketing alliance with i-STAT Corporation. In the second quarter of 1998, Abbott acquired, for cash, all of the outstanding shares of International Murex Technologies Corporation, a manufacturer of microtiter-based immunoassay test kits.

This segment markets its products worldwide. These products are generally marketed and sold directly to hospitals, laboratories, 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 diabetics and the Fact Plus-Registered Trademark- and Fact Plus-Registered Trademark- One Step pregnancy tests are sold over the counter to consumers.

This 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. Abbott has benefited from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

HOSPITAL PRODUCTS

This segment's products include drugs and drug delivery systems, perioperative and intensive care products, cardiovascular products, renal products, oncology products, intravenous and irrigation solutions, related manual and electronic administration equipment, and diagnostic imaging products for hospitals and alternate-care sites.

The principal products included in this segment are hospital injectables including Carpuject-Registered Trademark- and FirstChoice-Registered Trademark- generics; premixed intravenous drugs in various containers; ADD-Vantage-Registered Trademark- and Nutrimix-Registered Trademark- drug and nutritional delivery systems; anesthetics, including Pentothal-Registered Trademark-, Amidate-Registered Trademark-, Ultane-Registered Trademark-, isoflurane and enflurane; products for anxiety, nausea and pain associated with surgery; cardiovascular products including Opticath-Registered Trademark- and OptiQ-TM- advanced sensor catheters, Transpac-Registered Trademark- for hemodynamic monitoring, peripheral wires, catheters and other specialty cardiac products; Calcijex-Registered Trademark- and Zemplar-Registered Trademark-, injectable agents for treatment of bone disease in hemodialysis patients; intravenous solutions and related administration equipment sold as the LifeCare-Registered Trademark- line of products, LifeShield-Registered Trademark- needleless products, and Venoset-Registered Trademark- products; irrigating fluids; parenteral nutritionals such as Aminosyn-Registered Trademark- and Liposyn-Registered Trademark-; Plum-Registered Trademark-, Omni-Flow-Registered Trademark- and Abbott

AIM-Registered Trademark- electronic drug delivery systems; Abbott Pain Manager-Registered Trademark-; patient-controlled analgesia systems; venipuncture products; diagnostic imaging products used in MRI (magnetic resonance imaging) and CT (computed tomography) imaging; and Faultless-Registered Trademark- rubber sundry products.

This segment markets its products in the United States. They are generally distributed to wholesalers and directly to hospitals from Abbott-owned distribution centers and public warehouses. This segment also develops and manufactures products for other companies.

This segment's products are subject to competition in technological innovation, price, convenience of use, service, 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. Abbott has benefited from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

ROSS PRODUCTS

This segment's products include a broad line of adult and pediatric nutritionals. These products are sold primarily on the recommendation of physicians or other health care professionals. The segment also includes specialty pharmaceuticals and consumer products.

Principal nutritional products include various forms of prepared infant formula, including Similac-Registered Trademark-, Isomil-Registered Trademark-, Alimentum-Registered Trademark-, and Similac NeoSure-TM-; and other adult and pediatric products, including Ensure-Registered Trademark-, Ensure Plus-Registered Trademark-, Ensure-Registered Trademark- High Protein, Ensure-Registered Trademark-Light, Jevity-Registered Trademark-, Glucerna-Registered Trademark-, PediaSure-Registered Trademark-, Pedialyte-Registered Trademark-, and Pulmocare-Registered Trademark-. Principal consumer products include the dandruff shampoo Selsun Blue-Registered Trademark-; Murine-Registered Trademark- eye care and ear care products; and Tronolane-Registered Trademark- hemorrhoid medication. The principal pharmaceutical product is Survanta-Registered Trademark-. In addition, this segment co-promotes Synagis-Registered Trademark- under an agreement with Medimmune Incorporated.

This segment markets its products in the United States. Nutritional products are generally sold directly to retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers or public warehouses. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. Competition is generally from other broad line and specialized health care manufacturers. Nutritional products are subject to competition in price, formulation, scientific innovation, and promotional initiatives.

This segment's pharmaceutical 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 or public warehouses. Primary marketing efforts for pharmaceutical products are directed at securing the prescription of Abbott's brand of products by physicians. Competition is generally from other broad line 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.

Consumer products and Ensure-Registered Trademark- retail products are promoted directly to the public by consumer advertising. These products are generally sold directly to retailers and wholesalers. Competitive products are sold by other diversified consumer and health care companies. Competitive factors include consumer advertising, formulation, scientific innovation, price, and availability of generic product forms.

Ensure-Registered Trademark- is the leading adult nutritional and Similac-Registered Trademark- is a leading infant formula in the United States. (Source: A. C. Nielsen Co.)

INTERNATIONAL

This 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.

This segment's principal products include the anti-infectives clarithromycin, sold under the trademarks Biaxin-Registered Trademark-, Klacid-Registered Trademark- and Klaricid-Registered Trademark-, tosufloxacin, sold in Japan under the trademark Tosuxacin-Registered Trademark-, various forms of the antibiotic erythromycin, sold primarily as PCE-Registered Trademark- or polymer-coated erythromycin, Erythrocin-Registered Trademark-, and E.E.S.-Registered Trademark-, and Norvir-Registered Trademark-, a protease inhibitor for the treatment of HIV infection; Lupron-Registered Trademark-, also marketed as Lucrin-Registered Trademark-, 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; Prevacid-Registered Trademark- (lansoprazole), a proton pump for the short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis; various cardiovascular products, including Loftyl-Registered Trademark-, a vasoactive agent; Hytrin-Registered Trademark-, also marketed as Hitrin-Registered Trademark- and Flotrin-Registered Trademark-, used as an anti-hypertensive and for the treatment of benign prostatic hyperplasia, and candesartan, sold under the trademarks Blospress-TM- and Tiadyl-TM-, an angiotension 2 antagonist; meloxicam, a preferential COX-2 inhibitor; various forms of infant formulas and follow-on formulas, including Similac Advance-Registered Trademark-, Gain-Registered Trademark- and Abbott Grow-TM-; various adult medical nutritionals, including Ensure-Registered Trademark-, Glucerna-Registered Trademark- and Jevity-Registered Trademark-; and a broad line of hospital products, including the anesthesia products sevoflurane (sold outside of the United States primarily under the trademark Sevorane-Registered Trademark- and in a few other markets as Ultane-Registered Trademark-), isoflurane and enflurane; specialty generic injectables such as Calcijex-Registered Trademark- and Survanta-Registered Trademark-; and electronic drug delivery systems sold in selective international markets.

This 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 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. Competition is generally from other broad line and specialized 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. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. Competition is generally from other broad line and specialized health care manufacturers and food companies. Nutritional products are subject to competition in price, formulation and promotional initiatives.

This segment's hospital products are generally distributed to wholesalers and directly to hospitals from distribution centers maintained by Abbott. This segment is subject to competition in technological innovation, price, convenience of use, instrument warranty provisions, 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. Abbott has benefited from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

CHEMICAL AND AGRICULTURAL PRODUCTS

This segment's products include agricultural and chemical products, bulk pharmaceuticals, and animal health products.

Principal agricultural and animal health products include plant growth regulators, including ProGibb-Registered Trademark- and ReTain-Registered Trademark-; herbicides; larvicides, including VectoBac-Registered Trademark-; biologically derived insecticides, including DiPel-Registered Trademark- and XenTari-Registered Trademark-; anti-infectives, and medical surgical products, including Propoflo-TM-, Isoflo-Registered Trademark- and LIFECARE-Registered Trademark-. Principal chemical products include erythromycin, leuprolide, and terazosin hydrochloride.

This segment markets its products worldwide. Agricultural, animal health and bulk pharmaceutical products are generally sold to agricultural distributors, growers, companion animal health product distributors, veterinarians and pharmaceutical companies 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. Competition is primarily from chemical, animal health and agricultural companies. Competition is based on numerous factors depending on the market served. Competitive factors include product performance, quality, price, and technological advantages.

TAP HOLDINGS INC.

Under an agreement between Abbott and Takeda Chemical Industries, Ltd. of Japan (Takeda), TAP Holdings 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 in the United States. TAP markets Lupron-Registered Trademark-, an LH-RH analog, and Lupron Depot-Registered Trademark-, a sustained release form of Lupron-Registered Trademark-, in the United States. Lupron-Registered Trademark- and Lupron Depot-Registered Trademark- are used principally for the palliative treatment of advanced prostate cancer and the treatment of endometriosis. TAP also markets Prevacid-Registered Trademark- (lansoprazole), a proton pump inhibitor, and has a co-promotion arrangement with Abbott for Prevacid-Registered Trademark-. Its principal indications are for heartburn and other symptoms associated with gastroesophageal reflux disease (GERD), erosive esophagitis, short-term treatment of duodenal ulcers, the maintenance of healed erosive esophagitis and duodenal ulcers. Abbott has marketing rights to certain Takeda products in select Latin American markets. Abbott also markets Lupron-Registered Trademark-, Lupron Depot-Registered Trademark-, Lupron Depot-Ped-Registered Trademark-, and Prevacid-Registered Trademark- in select markets outside the United States.

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 for pharmaceutical products are directed toward securing the prescription of TAP's brand of products by physicians. Certain products are co-marketed with Abbott. Managed care purchasers, for example, health maintenance organizations (HMOs) and pharmacy benefit managers, are increasingly important customers. Competition is generally from 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. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products which are off patent.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

SOURCES AND AVAILABILITY OF RAW MATERIALS

Abbott purchases, in the ordinary course of business, necessary raw materials and supplies essential to Abbott's operations from numerous suppliers in the United States and overseas. 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, has applications pending for, and is licensed under a substantial number of patents. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 5. These, and various patents which

expire during the period 1999 to 2019, 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, are material in relation to Abbott's business as a whole. The original United States compound patent covering clarithromycin is licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan, and will expire in 2005. In addition, the patents, licenses, and trademarks related to Depakote-Registered Trademark- and Hytrin-Registered Trademark- are significant for Abbott's Pharmaceutical Products segment. The original United States product patents covering Depakote-Registered Trademark- will expire in 2008. In the United States, the original compound patent covering Hytrin-Registered Trademark- has expired. Litigation involving Abbott's patents covering Depakote-Registered Trademark- and Hytrin-Registered Trademark- is discussed in Legal Proceedings on pages 11 and 12.

While it is not feasible to predict with certainty the date on which a generic form of terazosin hydrochloride, the drug which Abbott sells under the trademark Hytrin-Registered Trademark-, could become available in the United States, management currently does not expect a generic form of terazosin hydrochloride to become available before the end of the second quarter of 1999. Abbott believes generic competition would adversely impact sales of Hytrin-Registered Trademark-. In 1998, Abbott recorded United States sales of Hytrin-Registered Trademark- of $542 million. Pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that the foregoing statements regarding generic terazosin hydrochloride are forward-looking statements or projections and are subject to risks and uncertainties that may cause actual results to differ materially from those projected. These include developments in the pending litigation. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Exhibit 99.1.

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 $1,221,593,000 in 1998, $1,302,403,000 in 1997, and $1,204,841,000 in 1996 on research to discover and develop new products and processes and to improve existing products and processes. Abbott continues to concentrate research expenditures on pharmaceutical and diagnostic 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 1998 were approximately $28 million and $49 million, respectively. Capital and operating expenditures for pollution control are estimated to approximate $19 million and $54 million, respectively, in 1999.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at 21 locations in the United States and 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 has initiated remediation at four sites, in cooperation with the Environmental Protection Agency (EPA) or similar state agencies.

While it is not feasible to predict with certainty the costs related to the previously described investigation 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 56,236 persons as of December 31, 1998.

REGULATION

The development, manufacture, sale, and distribution of Abbott's products are subject to comprehensive government regulation. Government regulation by various federal, state, and local agencies, which includes detailed inspection of and controls over research and laboratory procedures, clinical investigations, and manufacturing, marketing, sampling, distribution, recordkeeping, storage, and disposal practices, substantially increases the time, difficulty, and costs incurred in obtaining and maintaining the approval to market newly developed and existing products. Government regulatory actions can result in delay in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions.

In late 1998, the United States Food and Drug Administration (FDA) suspended its approval of the release of production lots of Abbott's pharmaceutical product Abbokinase due to Current Good Manufacturing Practice concerns raised by the FDA following inspections of Abbott and its raw material supplier. In January 1999, after Abbott revised the product's labeling to add additional warnings and the FDA issued a health care provider information sheet, the FDA released certain lots that were under its review. The FDA subsequently established new criteria for the release of additional lots. Abbott is instituting changes to its procedures in response to the FDA. Abbott cannot predict whether these changes will resolve FDA's concerns or the effect of this matter on future sales of Abbokinase. During 1998, Abbott sold approximately $277 million of Abbokinase, primarily in the United States.

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.

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. Federal and state governments continue to press efforts to reduce costs of Medicare and Medicaid programs, including restrictions on amounts agencies will reimburse for the use of products. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid. The DRG system entitles a health care facility to a fixed reimbursement based on discharge diagnoses 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. 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. Over the last five years, all of the states have conducted competitive bidding for infant formula contracts which require the use of specific infant formula products by the state WIC program. The Child Nutrition and WIC Reauthorization Act of 1989 requires all states participating in WIC 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 manufacturers to pay fees. The FDA imposes substantial fees on various aspects of the approval, manufacture, and sale of proprietary prescription drugs. The FDA's authority to impose these fees was reauthorized by the Food and Drug Administration Modernization Act of 1997.

Abbott expects debate to continue during 1999 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. 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 are having an impact on United States regulations, as well. The International Organization for Standardization (ISO) provides the criteria for meeting the regulations for medical devices within the European Union. Abbott has made significant strides in gaining ISO 9000 and European Norm 46000 certification for facilities that manufacture devices for European markets. The FDA recently adopted regulations governing the manufacture of medical devices that appear to encompass and exceed the ISO's approach to regulating medical devices. The FDA's adoption of the ISO's approach to regulation and other changes to the manner in which the FDA regulates medical devices will increase the cost of compliance with those 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.

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 are listed below.

LOCATION	INDUSTRY 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, Diagnostic Products, and Chemical and Agricultural Products
Bedford, Massachusetts	Diagnostic Products
Brockville, Canada	International
Campoverde, Italy	International
Casa Grande, Arizona	Ross Products
Columbus, Ohio	Ross Products
Delkenheim, Germany	Diagnostic Products
Haina, San Cristoba, Dominican Republic	Hospital Products
Irving, Texas	Diagnostic Products
Laurinburg, North Carolina	Hospital Products
McPherson, Kansas	Hospital Products
Montreal, Canada	International
Morgan Hill, California	Hospital Products
North Chicago, Illinois	Pharmaceutical Products, Hospital Products, and Chemical and Agricultural Products
Queenborough, England	International
Rocky Mount, North Carolina	Hospital Products
Salt Lake City, Utah	Hospital Products
Santa Clara, California	Diagnostic Products
Sligo/Donegal/Cootehill/Finisklin, Ireland	Diagnostic Products and International
Sturgis, Michigan	Ross Products
St. Remy, France	International
Tokyo, Japan	Diagnostic Products
Zwolle, The Netherlands	International

In addition to the above, Abbott has manufacturing facilities in five other locations in the United States, including Puerto Rico. Outside the United States manufacturing facilities are located in 14 other countries. Abbott's facilities are deemed suitable, provide adequate productive capacity, and are utilized at normal and acceptable levels.

In the United States, including Puerto Rico, Abbott owns 11 distribution centers. Abbott also has 14 United States research and development facilities located at: Abbott Park, Illinois; Ashland, Ohio; Bedford, Massachusetts; Columbus, Ohio (two locations); Irving, Texas; Long Grove, Illinois; Madera, California; McPherson, Kansas; Morgan Hill, California; Norcross, Georgia; North Chicago, Illinois; Santa Clara, California; and San Diego, California. Outside the United States, Abbott has research and development facilities in Argentina, Australia, Canada, France, Germany, Ireland, Japan, The Netherlands, South Africa, Spain and the United Kingdom.

The corporate offices, and those principal plants in the United States that are 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 and legal proceedings, including (as of January 31, 1999), one antitrust suit and five investigations in connection with Abbott's sale and marketing of infant formula products, 134 antitrust suits and two investigations in connection with Abbott's pricing of prescription pharmaceuticals, two cases involving Abbott's patents for divalproex sodium, a drug that Abbott sells under the trademark Depakote-Registered Trademark-, five cases involving Abbott's patents for terazosin hydrochloride, a drug that Abbott sells under the trademark Hytrin-Registered Trademark-, and one antitrust suit involving Hytrin-Registered Trademark-.

The infant formula antitrust cases allege that Abbott conspired with one or more of its competitors to fix prices, restrain trade and monopolize the market for infant formula in violation of state antitrust laws. The suits have been brought on behalf of individuals and name Abbott and certain other infant formula manufacturers as defendants. The cases sought treble damages, civil penalties, and other relief. On November 7, 1997, the Louisiana District Court dismissed the plaintiff's complaint in the case that was pending in Louisiana. The plaintiffs have appealed that decision. The appellate court has certified the questions raised in the appeal to the state supreme court for its consideration. In 1997, a case purporting to be a statewide consumer class action was filed in state court in St. Louis, Missouri. It was voluntarily dismissed in December 1998. Investigations are being conducted by the Attorneys General of the states of California, Connecticut, New York, Pennsylvania, and Wisconsin. These matters are no longer considered a possible material legal proceeding and, therefore, no further information will be given with respect to them.

As of January 31, 1999, 116 prescription pharmaceutical pricing antitrust cases were pending in federal court and 18 were pending in state courts. The prescription pharmaceutical pricing antitrust suits allege that various pharmaceutical manufacturers and pharmaceutical wholesalers 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 individual consumers and retail pharmacies and name both Abbott and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties and injunctive and other relief. Abbott has filed or intends to file a response to each of the complaints denying all substantive allegations. The federal cases are 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 state cases are pending in the following state courts: Tuscaloosa County and Clarke County, Alabama; Alameda County, California; Monterey County, California; San Francisco County, California (eight cases); San Joaquin County, California; Johnson County, Kansas;

Prentiss County, Mississippi; Mecklenburg County, North Carolina; and Cocke County and Davidson County, Tennessee. Abbott entered into settlement agreements in twelve consumer lawsuits pending in the following jurisdictions: Arizona, Florida, Kansas, Maine, Michigan, Minnesota (2), New York, North Carolina, Tennessee, Washington, D.C., and Wisconsin. The court in each jurisdiction must approve the agreement before it becomes final. Courts in Arizona, Florida, Maine, Michigan, Minnesota (2), New York, Washington, D.C. and Wisconsin have approved the settlement agreement. The investigations are being conducted by the Attorney General of Illinois and the Federal Trade Commission.

As of January 31, 1999, two cases were pending involving Abbott's patents for divalproex sodium, a drug that Abbott sells under the trademark Depakote-Registered Trademark-. On October 24, 1997, after having been notified that TorPharm, a division of Apotex, Inc. ("TorPharm") had applied to the Federal Food and Drug Administration (the "FDA") for approval for a generic version of divalproex sodium, Abbott sued TorPharm in the United States District Court for the Northern District of Illinois alleging patent infringement. TorPharm contends that its product does not infringe Abbott's patents and that, in any event, the patents are invalid and unenforceable. On August 28, 1992, after having been notified that Alra Laboratories, Inc. ("Alra") had applied to the FDA for approval for a generic version of divalproex sodium, Abbott sued Alra in the United States District Court for the Northern District of Illinois alleging patent infringement. Alra filed counterclaims alleging that Abbott fraudulently delayed Alra's entry into the market for divalproex sodium and seeking money damages. Alra contended that its product did not infringe Abbott's patents and that, in any event, those patents were invalid and unenforceable. Alra filed motions for summary judgment on the issues of infringement and validity. Abbott filed a motion for summary judgment on the issue of infringement. On October 20, 1997, the court granted Abbott's motion for summary judgment and found that Alra's product infringes Abbott's patents. The court denied Alra's motions for summary judgment on the issues of infringement and patent invalidity and dismissed the lawsuit. Alra filed a motion for reconsideration of the court's ruling. That motion was granted in part and denied in part. The court has stayed its earlier rulings on validity and infringement pending further proceedings.

As of January 31, 1999, five cases involving Abbott's patents for terazosin hydrochloride, a drug that Abbott sells under the trademark Hytrin-Registered Trademark-, were pending in the United States District Court for the Northern District of Illinois. Abbott has been separately notified first by Geneva Pharmaceuticals, Inc. ("Geneva") in April 1996, and then by Novopharm Limited ("Novopharm"), Invamed, Inc. ("Invamed"), Mylan Pharmaceuticals, Inc. ("Mylan"), and Warner Chilcott, Inc. ("Warner") that these corporations had applied to the Federal Food and Drug Administration for approval for a generic version of terazosin hydrochloride. Abbott sued each of these corporations alleging patent infringement. These lawsuits were filed on June 4, 1996, against Geneva, on September 13, 1996, against Novopharm, on August 1, 1997, against Mylan, on October 28, 1997, against Invamed and on April 6, 1998, against Warner. These corporations contend that Abbott's patent which covers their version of terazosin hydrochloride is invalid and unenforceable. Additionally, in April 1996, Zenith Laboratories, Inc. ("Zenith") sued Abbott in the United States District Court for the District of New Jersey alleging that Abbott had engaged in unfair competition, abuse of process, tortious interference with prospective economic advantage, and fraud in attempting to protect Hytrin from generic competition. Zenith sought money damages and a declaration that certain of Abbott's patents covering terazosin hydrochloride are invalid. Abbott filed counterclaims alleging patent infringement. On March 31, 1998, Abbott and Zenith reached an agreement that resolved the litigation between the parties. In the settlement, Zenith acknowledged the validity of Abbott's terazosin hydrochloride patents and agreed to refrain from selling a generic version of terazosin hydrochloride until the expiration of one of Abbott's patents for terazosin hydrochloride (U.S. Patent No. 4,251,532). On April 1, 1998, Abbott and Geneva reached an agreement under which Geneva will not market its Food and Drug Administration approved generic terazosin hydrochloride products until resolution of the pending litigation between the parties. Abbott agreed to make quarterly payments to Zenith and monthly payments to Geneva until the date on which they may enter the market for terazosin hydrochloride under their agreements. Both Zenith and Geneva would be free to enter the market for terazosin hydrochloride

in the United States, if certain of Abbott's patents for terazosin hydrochloride were determined to be invalid and if another company legally enters the generic market in the United States. The Geneva, Invamed, and Novopharm cases were all pending before the same judge, who, on September 1, 1998, entered a judgment in each of those cases ruling that the Abbott patent at issue in those cases is invalid. Abbott has appealed these rulings. On November 19, 1998, the judge hearing the Warner case granted Warner's motion for summary judgment applying the ruling issued September 1 in the Geneva, Novopharm and Invamed cases to the Warner case as well. Abbott has appealed this ruling. Warner has voluntarily dismissed its counterclaims that had alleged that Abbott's conduct with respect to Hytrin-Registered Trademark- violated the antitrust laws. Mylan has also filed a motion for summary judgment seeking to have the ruling issued September 1 in the Geneva, Novopharm and Invamed cases applied in its case, as well.

On December 18, 1998, Louisiana Wholesale Drug Co. sued Abbott, Geneva and Zenith in the United States District Court for the Southern District of Florida alleging that Abbott's agreements with Geneva and Zenith regarding terazosin hydrochloride violate the federal antitrust laws. The case purports to be a class action and seeks actual damages, treble damages, civil penalties, and other relief. Abbott intends to file a response denying all substantive allegations.

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.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Officers of Abbott are elected annually by the board of directors at the first meeting held after the annual shareholders meeting. Each officer holds office until a successor has been duly elected and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any meeting of the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott.

Current corporate officers, and their ages as of March 1, 1999, are listed below. The officers' principal occupations and employment from January 1994 to March 1, 1999 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**, 43

1994 -- Vice President, Diagnostic Systems and Operations.

1994 to 1998 -- Senior Vice President, Diagnostics Operations.

1998 to 1999 -- Executive Vice President and Director.

1999 to present -- Chief Executive Officer and Director.

Elected Corporate Officer -- 1993.

ROBERT L. PARKINSON, JR.** 48

1994 to 1995 -- Senior Vice President, Chemical and Agricultural Products.

1995 to 1998 -- Senior Vice President, International Operations.

1998 to 1999 -- Executive Vice President and Director.

1999 to present -- President, Chief Operating Officer and Director.

Elected Corporate Officer -- 1989.

JOY A. AMUNDSON**, 44

1994 -- Vice President, Corporate Hospital Marketing.

1994 to 1995 -- Vice President, Abbott HealthSystems.

1995 to 1998 -- Senior Vice President, Chemical and Agricultural Products.

1998 to present -- Senior Vice President, Ross Products.

Elected Corporate Officer -- 1990.

THOMAS D. BROWN**, 50

1994 to 1998 -- Vice President, Diagnostics Commercial Operations.

1998 to present -- Senior Vice President, Diagnostics Operations.

Elected Corporate Officer -- 1993.

GARY P. COUGHLAN**, 55

1994 to present -- Senior Vice President, Finance and Chief Financial Officer.

Elected Corporate Officer -- 1990.

JOSE M. DE LASA**, 57

1994 -- Vice President and Associate General Counsel, Bristol-Myers Squibb Company (Health and personal care products company).

1994 -- Vice President, Secretary and Associate General Counsel, Bristol-Myers Squibb Company.

1994 to present -- Senior Vice President, Secretary and General Counsel.

Elected Corporate Officer -- 1994.

WILLIAM G. DEMPSEY **, 47

1994 to 1995 -- Divisional Vice President and General Manager, Abbott Critical Care Systems.

1995 to 1996 -- Divisional Vice President, Hospital Products Business Sector Sales.

1996 to 1998 -- Vice President, Hospital Products Business Sector.

1998 to present -- Senior Vice President, Chemical and Agricultural Products.

Elected Corporate Officer -- 1996.

RICHARD A. GONZALEZ**, 45

1994 to 1995 -- Divisional Vice President and General Manager, U.S. and Canada, Diagnostic Products.

1995 to 1998 -- Vice President, Abbott HealthSystems.

1998 to present -- Senior Vice President, Hospital Products.

Elected Corporate Officer -- 1995.

ARTHUR J. HIGGINS**, 42

1994 -- Regional Director, Europe, Africa, and Middle East.

1994 to 1995 -- Divisional Vice President, Commercial Operations, Abbott International Division.

1995 to 1996 -- Divisional Vice President, Pacific, Asia, and Africa Operations.

1996 to 1998 -- Vice President, Pacific, Asia, and Africa Operations.

1998 to present -- Senior Vice President, Pharmaceutical Operations.

Elected Corporate Officer -- 1996.

THOMAS M. WASCOE**, 52

1994 to 1999 -- Divisional Vice President, Human Resources, Diagnostics Operations.

1999 to present -- Senior Vice President, Human Resources.

Elected Corporate Officer -- 1999.

JOSEF WENDLER**, 49

1994 to 1995 -- Vice President, Pacific, Asia, and Africa Operations.

1995 to 1998 -- Vice President, European Operations.

1998 to present -- Senior Vice President, International Operations.

Elected Corporate Officer -- 1993.

CATHERINE V. BABINGTON**, 46

1994 to 1995 -- Director, Corporate Communications.

1995 to present -- Vice President, Investor Relations and Public Affairs.

Elected Corporate Officer -- 1995.

PATRICK J. BALTHROP, 42

1994 to 1995 -- Divisional Vice President and Sector General Manager, Diagnostic Products.

1995 to 1996 -- Divisional Vice President and General Manager, U.S. and Canada, Diagnostic Products.

1996 to 1998 -- Vice President, Diagnostics Operations, U.S. and Canada.

1998 to present -- Vice President, Diagnostics Commercial Operations.

Elected Corporate Officer -- 1996.

MARK E. BARMAK, 57

1994 to 1995 -- Divisional Vice President and Associate General Counsel, Litigation.

1995 to present -- Vice President, Litigation and Government Affairs.

Elected Corporate Officer -- 1995.

CHRISTOPHER B. BEGLEY**, 46

1994 to 1996 -- Vice President, Hospital Products Business Sector.

1996 to 1998 -- Vice President, MediSense Operations.

1998 to present -- Vice President, Abbott HealthSystems.

Elected Corporate Officer -- 1993.

DOUGLAS C. BRYANT, 41

1994 to 1995 -- Regional Sales Manager, Diagnostics Division.

1995 to 1997 -- General Manager, United Kingdom and Ireland, Diagnostics Division.

1997 to 1998 -- Commercial Director, Asia and Pacific, Diagnostics Division.

1998 to present -- Vice President, Diagnostics Operations, Asia and Pacific.

Elected Corporate Officer -- 1998.

GARY R. BYERS**, 57

1994 to present -- Vice President, Internal Audit.

Elected Corporate Officer -- 1993.

THOMAS F. CHEN, 49

1994 -- General Manager, Korea and Taiwan.

1994 to 1996 -- General Manager Taiwan and People's Republic of China Task Force.

1996 to 1998 -- Regional Director, Taiwan and People's Republic of China.

1998 to present -- Vice President, Pacific, Asia, and Africa Operations.

Elected Corporate Officer -- 1998.

KENNETH W. FARMER**, 54

1994 to present -- Vice President, Management Information Services and Administration.

Elected Corporate Officer -- 1985.

EDWARD J. FIORENTINO, 40

1994 -- Business Unit Director, Antimicrobials, Pharmaceuticals Division.

1994 to 1998 -- Divisional Vice President, Marketing, Pharmaceuticals Division.

1998 to present -- Vice President, Pharmaceutical Products, Marketing and Sales.

Elected Corporate Officer -- 1998.

THOMAS C. FREYMAN**, 44

1994 to present -- Vice President and Treasurer.

Elected Corporate Officer -- 1991.

STEPHEN R. FUSSELL, 41

1994 to 1996 -- Vice President, Total Compensation, Nestle USA (diversified food company).

1996 to 1999 -- Divisional Vice President, Compensation and Benefits.

1999 to present -- Vice President, Compensation and Development.

Elected Corporate Officer -- 1999.

DAVID B. GOFFREDO, 44

1994 to 1995 -- Divisional Vice President, Pharmaceutical Products Sales and Marketing.

1995 to 1998 -- Vice President, Pharmaceutical Products, Marketing and Sales.

1998 to present -- Vice President, European Operations.

Elected Corporate Officer -- 1995.

GUILLERMO A. HERRERA, 45

1994 -- Regional Director, Europe, Abbott International.

1994 -- General Manager, Abbott Spain and Portugal.

1994 to 1996 -- Area Vice President, Latin America.

1996 to 1998 -- Vice President, Latin America Operations.

1998 to present -- Vice President, Latin America and Canada Operations.

Elected Corporate Officer -- 1996.

JAY B. JOHNSTON, 55

1994 to present -- Vice President, Diagnostic Assays and Systems.

Elected Corporate Officer -- 1993.

JAMES J. KOZIARZ, 50

1994 to present -- Vice President, Diagnostic Products Research and Development.

Elected Corporate Officer -- 1993.

JOHN M. LEONARD, 41

1994 to 1996 -- Venture Head, Pharmaceutical Products Research and Development.

1996 to 1997 -- Therapeutic Area Venture Head, Pharmaceutical Products Research and Development.

1997 to 1999 -- Divisional Vice President, Pharmaceutical Development, Pharmaceutical Products Research and Development.

1999 to present -- Vice President, Pharmaceutical Development.

Elected Corporate Officer -- 1999.

JOHN F. LUSSEN**, 57

1994 to present -- Vice President, Taxes.

Elected Corporate Officer -- 1985.

EDWARD L. MICHAEL, 42

1994 -- Business Unit Manager, Diagnostics Division.

1995 to 1996 -- Director, Area Operations and Scientific Development.

1997 to present -- Vice President, Diagnostics Operations, Europe, Africa, and Middle East.

Elected Corporate Officer -- 1997.

DANIEL W. NORBECK, 40

1994 to 1995 -- Senior Project Leader, Pharmaceutical Products Research and Development.

1995 to 1998 -- Divisional Vice President, Area Head, Pharmaceutical Products Research and Development.

1998 to 1999 -- Divisional Vice President, Discovery, Pharmaceutical Products Research and Development.

1999 to present -- Vice President, Pharmaceutical Discovery.

Elected Corporate Officer -- 1999.

THEODORE A. OLSON**, 60

1994 to present -- Vice President and Controller.

Elected Corporate Officer -- 1988.

WILLIAM H. STADTLANDER, 53

1994 to present -- Vice President, Ross Medical Nutritional Products.

Elected Corporate Officer -- 1993.

MARCIA A. THOMAS **, 51

1994 to 1995 -- Divisional Vice President and General Manager, Infectious Diseases Diagnostics.

1995 to 1996 -- Divisional Vice President, Quality Assurance and Regulatory Affairs, Diagnostics Division.

1996 to present -- Vice President, Quality Assurance and Regulatory Affairs.

Elected Corporate Officer -- 1996.

STEVEN J. WEGER, JR.**, 54

1994 to 1996 -- Divisional Vice President, Strategic Planning and Technology Assessment, Diagnostics Division.

1996 to present -- Vice President, Corporate Planning and Development.

Elected Corporate Officer -- 1996.

SUSAN M. WIDNER, 42

1994 to 1995 -- Business Unit Manager, Diagnostics Division.

1995 to 1996 -- Director, Venture Marketing, Diagnostics Division.

1996 to 1998 -- Divisional Vice President, Worldwide Marketing, Diagnostics Division.

1998 to present -- Vice President, Diagnostics Operations, U.S. and Canada.

Elected Corporate Officer -- 1998.

LANCE B. WYATT**, 54

1994 to 1995 -- Divisional Vice President, Quality Assurance and Regulatory Affairs, Pharmaceutical Division.

1995 to present -- Vice President, Corporate Engineering.

Elected Corporate Officer -- 1995.

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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			
	1998		1997	
	HIGH	LOW	HIGH	LOW
First Quarter.....	39 7/16	32 1/2	30 1/4	24 7/8
Second Quarter.....	42 11/16	34 7/8	34 7/16	26 7/16
Third Quarter.....	45 11/16	36 5/8	34 1/4	29 3/8
Fourth Quarter.....	50 1/16	39	34 5/8	28 1/2

Market prices are as reported by the New York Stock Exchange composite transaction reporting system. Pre-split prices have been adjusted to reflect the May 1998 stock split.

SHAREHOLDERS

There were 107,209 shareholders of record of Abbott common shares as of December 31, 1998.

DIVIDENDS

Quarterly dividends of $.15 per share and $.135 per share were declared on common shares in 1998 and 1997, respectively after reflecting the May 1998 stock split.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated herein by reference for the years 1994 through 1998 are the applicable portions of the section captioned "Summary of Selected Financial Data" of the 1998 Annual Report.

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

Incorporated herein by reference is management's discussion and analysis of financial condition and results of operations for the years 1998, 1997, and 1996 found under the section captioned "Financial Review" of the 1998 Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated herein by reference is the section captioned "Financial Instruments and Risk Management" of the 1998 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated herein by reference are the portions of the 1998 Annual Report captioned Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Balance Sheet, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, and Report of Independent Public Accountants (which contains the related report of Arthur Andersen LLP dated January 14, 1999.) Data relating to quarterly results are found in Note 11.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference are "Committees of the Board of Directors" and "Information Concerning Nominees for Directors" found in the 1999 Abbott Laboratories Proxy Statement ("1999 Proxy Statement"). Also incorporated herein by reference is the text found under the caption, Executive Officers of The Registrant on pages 13 through 19.

ITEM 11. EXECUTIVE COMPENSATION

The material in the 1999 Proxy Statement under the heading "Executive Compensation," other than the Report of the Compensation Committee, the Performance Graph, and Security Ownership of Executive Officers and Directors is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the text found under the caption "Information Concerning Security Ownership" and the material under the heading "Security Ownership of Executive Officers and Directors" in the 1999 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS FORM 10-K.

1. FINANCIAL STATEMENTS: The Consolidated Financial Statements for the years ended December 31, 1998, 1997, and 1996 and the related report of Arthur Andersen LLP dated January 14, 1999, appearing under the portions of the 1998 Annual Report captioned Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Balance Sheet, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, and Report of Independent Public Accountants, respectively, are incorporated by reference in response to Item 14(a)1. With the exception of the portions of the 1998 Annual Report specifically incorporated herein by reference, such Report shall not be deemed filed as part of this Annual Report on Form 10-K or otherwise deemed subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

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 in the 1998 Annual Report:

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 28, 29 and 30 of this Form 10-K.

(b) REPORTS ON FORM 8-K DURING THE QUARTER ENDED DECEMBER 31, 1998:

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

(c) EXHIBITS FILED (SEE EXHIBIT INDEX ON PAGES 28, 29 AND 30).

(d) FINANCIAL STATEMENT SCHEDULES FILED (PAGE 25).

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
Chief Executive Officer

Date: February 12, 1999

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 12, 1999 in the capacities indicated below.

/s/ DUANE L. BURNHAM

Duane L. Burnham
Chairman of the Board
and Director

/s/ MILES D. WHITE

Miles D. White
Chief Executive Officer and Director
(principal executive officer)

/s/ ROBERT L. PARKINSON, JR.

Robert L. Parkinson, Jr.
President, Chief Operating Officer
and Director

/s/ GARY P. COUGHLAN

Gary P. Coughlan
Senior Vice President, Finance and
Chief Financial Officer
(principal financial officer)

/s/ THEODORE A. OLSON

Theodore A. Olson
Vice President and Controller
(principal accounting officer)

/s/ K. FRANK AUSTEN, M.D.

K. Frank Austen, M.D.
Director

/s/ H. LAURANCE FULLER

H. Laurance Fuller
Director

/s/ DAVID A. JONES

David A. Jones
Director

/s/ DAVID A. L. OWEN

David A. L. Owen
Director

/s/ BOONE POWELL, JR.

Boone Powell, Jr.
Director

/s/ A. BARRY RAND

A. Barry Rand
Director

/s/ W. ANN REYNOLDS
- ----------
W. Ann Reynolds
Director

/s/ ROY S. ROBERTS
- ----------
Roy S. Roberts
Director

/s/ WILLIAM D. SMITHBURG
- ----------
William D. Smithburg
Director

/s/ JOHN R. WALTER
- ----------
John R. Walter
Director

/s/ WILLIAM L. WEISS
- ----------
William L. Weiss
Director

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996
(UNAUDITED)

ALLOWANCES FOR DOUBTFUL ACCOUNTS AND SALES DEDUCTIONS	BALANCE AT BEGINNING OF YEAR	PROVISIONS CHARGED TO INCOME(a)	AMOUNTS CHARGED OFF NET OF RECOVERIES	BALANCE AT END OF YEAR
1998	167,406	41,441	(17,895)	190,952
1997	153,424	28,193	(14,211)	167,406
1996	157,990	7,389	(11,955)	153,424

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

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Abbott Laboratories:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Abbott's Annual Report incorporated by reference in this Form 10-K, and have issued our report thereon dated January 14, 1999. 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

Chicago, Illinois
January 14, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of the following into Abbott's previously filed S-8 Registration Statements 33-4368 for the Abbott Laboratories 1986 Incentive Stock Program, 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program, 333-09071, 333-43381 and 333-69547 for the Abbott Laboratories 1996 Incentive Stock Program, 333-13091 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust, and 33-26685, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, and 333-69579 for the Abbott Laboratories Stock Retirement Plan and Trust and into Abbott's previously filed S-3 Registration Statements 33-50253, 333-06155, 333-63481, and 333-65601:

1. Our supplemental report dated January 14, 1999 included in this Annual Report on Form 10-K for the year ended December 31, 1998; and

2. Our report dated January 14, 1999 incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1998.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 9, 1999

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
1998

10-K EXHIBIT TABLE ITEM NO.	
3.1	* Articles of Incorporation-Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the Quarter ended March 31, 1998.
3.2	Corporate By-Laws-Abbott Laboratories.
4.1	* 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.
4.2	* 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.
4.3	* Form of Medium-Term Note, Series A (Fixed Rate) to be issued pursuant to the Indenture filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the Quarter ended September 30, 1993, on Form 10-Q.
4.4	* Form of Medium-Term Note, Series A (Floating Rate) to be issued pursuant to the Indenture filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the Quarter ended September 30, 1993, on Form 10-Q.
4.5	* Resolution of Abbott's Board of Directors filed as Exhibit 4.5 to the Abbott Laboratories Quarterly Report for the Quarter ended September 30, 1993, on Form 10-Q.
4.6	* Actions of the Authorized Officers with respect to Abbott's $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.
4.7	* 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.
4.8	* 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.
4.9	* 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.
4.10	* 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.
4.11	* 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.
4.12	* 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.
4.13	* 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.
4.14	* 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.

10-K EXHIBIT TABLE ITEM NO.	
4.15	* 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.
4.16	* 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.
4.17	* 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.
4.18	* 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.
4.19	* 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.
4.20	* 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.
4.21	* 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.
4.22	* 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.
	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 1986 Incentive Stock Program filed as Exhibit 10.2 to the 1997 Abbott Laboratories Annual Report on Form 10-K.**
10.3	* The Abbott Laboratories 1991 Incentive Stock Program filed as Exhibit 10.3 to the 1997 Abbott Laboratories Annual Report on Form 10-K.**
10.4	* Consulting agreement between Abbott Laboratories and K. Frank Austen, M.D. dated, December 15, 1997 filed as Exhibit 10.4 to the 1997 Abbott Laboratories Annual Report on Form 10-K.**
10.5	* Abbott Laboratories 401(k) Supplemental Plan, filed as Exhibit 10.7 to the Abbott Laboratories 1993 Annual Report on Form 10-K.**
10.6	* Abbott Laboratories Supplemental Pension Plan filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.**
10.7	* The 1986 Abbott Laboratories Management Incentive Plan filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.**
10.8	Abbott Laboratories Non-Employee Directors' Fee Plan.**
10.9	* The Abbott Laboratories 1996 Incentive Stock Program filed as Exhibit 10.9 to the 1997 Abbott Laboratories Annual Report on Form 10-K.**

10-K EXHIBIT TABLE ITEM NO.	
10.10	* 1998 Abbott Performance Incentive Plan filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998. **
10.11	Consulting arrangement between Abbott Laboratories and Duane L. Burnham dated, December 23, 1998.**
12	Computation of Ratio of Earnings to Fixed Charges.
13	The portions of the Abbott Laboratories Annual Report for the year ended December 31, 1998 captioned Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Balance Sheet, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, Report of Independent Public Accountants, Financial Instruments and Risk Management, Financial Review, and the applicable portions of the section captioned Summary of Financial Data for the years 1994 through 1998.
21	Subsidiaries of Abbott Laboratories.
23	Consent of Independent Public Accountants.
27	Financial Data Schedule.
99.1	Cautionary Statement Regarding Forward-Looking Statements.
	The 1999 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 9, 1999.

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

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

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

Exhibit 3.2

BY-LAWS

OF

ABBOTT LABORATORIES

Adopted by the Board of Directors
of Abbott Laboratories at the
Annual Meeting, April 11, 1963
as amended and restated, effective October 9, 1998

BY-LAWS OF ABBOTT LABORATORIES

ARTICLE I

OFFICES

The principal office of the Corporation in the State of Illinois shall be located at the intersection of State Routes 43 and 137 in the County of Lake. The Corporation may have such other offices either within or without the State of Illinois as the business of the Corporation may require from time to time.

The registered office of the Corporation may be, but need not be, identical with the principal office in the State of Illinois. The address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

SHAREHOLDERS

SECTION 1. ANNUAL MEETING; TRANSACTION OF BUSINESS, NOMINATION OF DIRECTORS. The annual meeting of the shareholders shall be held in the month of April in each year on such date and at such time as the Board of Directors shall provide. The meeting shall be held for the purpose of electing Directors and for the transaction of such other business as is properly brought before the meeting in accordance with these By-Laws. If the election of Directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the shareholders as soon thereafter as conveniently may be.

To be properly brought before the meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal office of the Corporation, not earlier than October 1 nor later than the first business day of January immediately prior to the date of the meeting; PROVIDED, HOWEVER, that in the event that the date of such meeting is not in the month of April and less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief

description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder and (iv) any material interest of the shareholder in such business.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 1, PROVIDED, HOWEVER, that nothing in this Section 1 shall be deemed to preclude discussion by any shareholder of any business properly brought before the annual meeting.

The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1, and if he should so determine, he shall so declare to the meeting and such business not properly brought before the meeting shall not be transacted.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such annual meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors, or by any shareholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 1. Such nominations, other than those made by or at the direction of the Board of Directors or by a committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal office of the Corporation not earlier than October 1 nor later than the first business day of January immediately prior to the date of the meeting; PROVIDED, HOWEVER, that in the event that the date of such meeting is not in the month of April and less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as

director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called by the Chairman of the Board, the Chief Executive Officer, the President, the Board of Directors or by the holders of not less than one-fifth of all the outstanding shares entitled to vote on the matter for which the meeting is called.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Illinois, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Illinois.

SECTION 4. NOTICE OF MEETINGS. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, or in the cases of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty nor more than sixty days before the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary or the persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the records of the Corporation, with postage thereon prepaid.

SECTION 5. FIXING RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty days and, for a meeting of shareholders, not less than ten days, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty days, immediately preceding such meeting.

SECTION 6. VOTING LISTS. The Secretary shall make, or cause to have made, within twenty days after the record date for a meeting of shareholders or ten days before such meeting, whichever is earlier, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the

Corporation and shall be subject to inspection by any shareholder and to copying at the shareholder's expense, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

SECTION 7. QUORUM. A majority of the outstanding shares of the Corporation entitled to vote on a matter, represented in person or by proxy, shall constitute a quorum for consideration of such matter at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on a matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by The Business Corporation Act of 1983 or the Articles of Incorporation, as in effect on the date of such determination. If a quorum is not present, a majority of the shares of the Corporation entitled to vote on a matter and represented in person or by proxy at such meeting may adjourn the meeting from time to time without further notice.

SECTION 8. PROXIES. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by delivering a valid appointment to the person so appointed or such person's agent; Provided, However, no shareholder may name more than three persons as proxies to attend and to vote the shareholder's shares at any meeting of shareholders. Without limiting the manner in which a shareholder may appoint such a proxy pursuant to these By-Laws, the following shall constitute valid means by which a shareholder may make such an appointment:

(a) A shareholder may sign a proxy appointment form. The shareholder's signature may be affixed by any reasonable means, including, but not limited to, by facsimile signature.

(b) A shareholder may transmit or authorize the transmission of a telegram, cablegram, or other means of electronic transmission; provided that any such transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, or other electronic transmission was authorized by the shareholder. If it is determined that the telegram, cablegram, or other electronic transmission is valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Each proxy continues in full force and effect until revoked by the person appointing the proxy prior to the vote pursuant thereto, except as otherwise provided by law. Such revocation may be effected by a writing delivered to the secretary of the Corporation stating that the proxy is revoked or by a subsequent delivery of a valid proxy by, or

by the attendance at the meeting and voting in person by the person appointing the proxy. The dates of the proxy shall presumptively determine the order of appointment.

SECTION 9. VOTING OF SHARES. Each outstanding share, regardless of class, shall be entitled to one vote in each matter submitted to a vote at a meeting of shareholders and, in all elections for Directors, every shareholder shall have the right to vote the number of shares owned by such shareholder for as many persons as there are Directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of Directors multiplied by the number of such shares or to distribute such cumulative votes in any proportion among any number of candidates; provided that, vacancies on the Board of Directors may be filled as provided in Section 9, Article III of these By-Laws. A shareholder may vote either in person or by proxy.

SECTION 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of this Corporation held by the Corporation in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares entitled to vote at any given time.

Shares registered in the name of another corporation, domestic or foreign, may be voted by any officer, agent, proxy or other legal representative authorized to vote such shares under the law of incorporation of such corporation.

Shares registered in the name of a deceased person, a minor ward or a person under legal disability may be voted by his or her administrator, executor, or court appointed guardian, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, or court appointed guardian. Shares registered in the name of a trustee may be voted by him or her, either in person or by proxy.

Shares registered in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his or her name if authority so to do is contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

SECTION 11. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order that voting be by ballot.

SECTION 12. INSPECTORS OF ELECTION. The Board of Directors in advance of any meeting of shareholders may appoint inspectors to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the officer or person acting as chairman at any such meeting may, and on the request of any shareholder or his proxy, shall make such appointment. In case any person appointed as inspector shall fail to appear or to act, the vacancy

may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the officer or person acting as chairman.

Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and report the results; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or her or by a majority of them if there be more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. The number of Directors of the Corporation shall be sixteen. The terms of all Directors shall expire at the next annual meeting of shareholders following their election. Despite the expiration of a Director's term, he or she shall continue to serve until the next meeting of shareholders at which Directors are elected. Directors need not be residents of Illinois or shareholders of the Corporation.

SECTION 3. REGULAR MEETINGS. A regular annual meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and at the same place as, the annual meeting of shareholders. Other regular meetings of the Board of Directors shall be held at the principal office of the Corporation on the second Friday of every month at 9:00 a.m. without other notice than this By-Law. The Board of Directors may provide, by resolution, for the holding of the regular monthly meetings at a different time and place, either within or without the State of Illinois, or for the omission of the regular monthly meeting altogether. Where the Board of Directors has, by resolution, changed or omitted regular meetings, no other notice than such resolution shall be given.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chairman of the Executive Committee, the Chief Executive Officer, the President, or of any four Directors. The persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Illinois, as the place for holding any special meeting of the Board of Directors.

SECTION 5. NOTICE. Notice of any special meeting shall be given: (i) at least one day prior thereto if the notice is given personally or by an electronic transmission, (ii) at least two business days prior thereto if the notice is given by having it delivered by a third party entity that provides delivery services in the ordinary course of business and guarantees delivery of the notice to the Director no later than the following business day, and (iii) at least seven days prior thereto if the notice is given by mail. For this purpose, the term "electronic transmission" may include, but shall not be limited to, a telex, facsimile, or other electronic means. Notice shall be delivered to the Director's business address and/or telephone number and shall be deemed given upon electronic transmission, upon delivery to the third party delivery service, or upon being deposited in the United States mail with postage thereon prepaid. Any Director may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need to be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the number of Directors fixed by these By-Laws shall constitute a quorum for transaction of business at any meeting of the Board of Directors; provided, that if less than a majority of such number of Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF VOTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. INFORMAL ACTION BY DIRECTORS. Any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be.

The consent shall be evidenced by one or more written approvals, each of which sets forth the action taken and bears the signature of one or more Directors. All the approvals evidencing the consent shall be delivered to the Secretary of the Corporation to be filed in the corporate records. The action taken shall be effective when all the Directors have approved the consent unless the consent specifies a different effective date.

Any such consent signed by all the Directors or all the members of a committee shall have the same effect as a unanimous vote.

SECTION 9. VACANCIES. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, may be filled by

election at an annual meeting or at a special meeting of shareholders called for that purpose. A Director elected to fill a vacancy shall serve until the next annual meeting of shareholders. A majority of Directors then in office may also fill one or more vacancies arising between meetings of shareholders by reason of an increase in the number of Directors or otherwise, and any Director so selected shall serve until the next annual meeting of shareholders, provided that at no time may the number of Directors selected to fill vacancies in this manner during any interim period between meetings of shareholders exceed 33-1/3 per cent of the total membership of the Board of Directors.

SECTION 10. PRESUMPTION OF ASSENT. A Director of the Corporation who is present at a meeting of the Board of Directors or any committee thereof at which action on any corporate matter is taken is conclusively presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless he or she files his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SECTION 11. APPOINTMENT OF AUDITORS. Upon the recommendation of the Audit Committee, the Board of Directors shall appoint annually a firm of independent public accountants as auditors of the Corporation. Such appointment shall be submitted to the shareholders for ratification at the Annual Meeting next following such appointment. Should the holders of a majority of the shares represented at the meeting fail to ratify the appointment of any firm as auditors of the Corporation, or should the Board of Directors for any reason determine that such appointment be terminated, the Board of Directors shall appoint another firm of independent public accountants to act as auditors of the Corporation and such appointment shall be submitted to the shareholders for ratification at the Annual or Special Shareholders Meeting next following such appointment.

ARTICLE IV

COMMITTEES

SECTION 1. APPOINTMENT. A majority of the Board of Directors may create one or more committees and appoint members of the Board to serve on the committee or committees. Each committee shall have three or more members, who serve at the pleasure of the Board. The Board shall designate one member of each committee to be chairman of the committee. The Board shall designate a secretary of each committee who may be, but need not be, a member of the committee or the Board.

SECTION 2. COMMITTEE MEETINGS. A majority of any committee shall constitute a quorum and a majority of the committee is necessary for committee action. A committee may act by unanimous consent in writing without a meeting. Committee meetings may be called by the Chairman of the Board, the chairman of the committee, or any two of the committee's

members. The time and place of committee meetings shall be designated in the notice of such meeting. Notice of each committee meeting shall be given to each committee member. Each Committee shall keep minutes of its proceedings and such minutes shall be distributed to the Board of Directors.

SECTION 3. EXECUTIVE COMMITTEE. The Board shall appoint an Executive Committee. A majority of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 4. DUTIES OF THE EXECUTIVE COMMITTEE. The Executive Committee may, when the Board of Directors is not in session, exercise the authority of the Board in the management of the business and affairs of the Corporation; provided, however, the Committee may not:

(1) authorize distributions;

(2) approve or recommend to shareholders any act the Business Corporation Act of 1983 requires to be approved by shareholders.

(3) fill vacancies on the Board or on any of its committees;

(4) elect or remove Officers or fix the compensation of any member of the Committee;

(5) adopt, amend or repeal the By-Laws;

(6) approve a plan of merger not requiring shareholder approval;

(7) authorize or approve reacquisition of shares, except according to a general formula or method prescribed by the Board;

(8) authorize or approve the issuance or sale, or contract for sale, of shares or determine the designation and relative rights, preferences, and limitations of a series of shares, except that the Board may direct the Committee to fix the specific terms of the issuance or sale or contract for sale or the number of shares to be allocated to particular employees under an employee benefit plan; or

(9) amend, alter, repeal, or take action inconsistent with any resolution or action of the Board of Directors when the resolution or action of the Board of Directors provides by its terms that it shall not be amended, altered or repealed by action of the Committee.

SECTION 5. AUDIT COMMITTEE. The Board of Directors shall appoint an Audit Committee. All of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 6. DUTIES OF THE AUDIT COMMITTEE. The Audit Committee shall:

(1) recommend to the Board of Directors annually a firm of independent public accountants to act as auditors of the Corporation;

(2) review with the auditors in advance the scope of and fees for their annual audit;

(3) review with the auditors and the management, from time to time, the Corporation's accounting principles, policies, and practices and its reporting policies and practices;

(4) review with the auditors annually the results of their audit; and

(5) review from time to time with the auditors and the Corporation's financial personnel the adequacy of the Corporation's accounting, financial and operating controls.

SECTION 7. COMPENSATION COMMITTEE. The Board of Directors shall appoint a Compensation Committee. The members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries and who are "non-employee directors" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, or any similar successor rule.

SECTION 8. DUTIES OF THE COMPENSATION COMMITTEE. The Compensation Committee shall:

(1) administer the stock option plans of the Corporation;

(2) review, at least annually, the compensation of Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries and recommend for approval by the Board any change in the compensation of such Directors;

(3) review, at least annually, the compensation of all Officers of the Corporation. The committee shall have the authority to approve changes in the base compensation, and any proposed special separation arrangements of Officers, except the Chairman of the Board of Directors, the Chief Executive Officer, and the President, whose base compensation,

and any special separation arrangements, shall be subject to approval by the Board of Directors.

SECTION 9. NOMINATIONS AND BOARD AFFAIRS COMMITTEE. The Board of Directors shall appoint a Nominations and Board Affairs Committee. A majority of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 10. DUTIES OF THE NOMINATIONS AND BOARD AFFAIRS COMMITTEE. The Nominations and Board Affairs Committee shall:

(1) develop general criteria for selection of and qualifications desirable in members of the Board of Directors and Officers of the Corporation and aid the Board in identifying and attracting qualified candidates to stand for election to such positions;

(2) recommend to the Board annually a slate of nominees to be proposed by the Board to the shareholders as nominees for election as Directors, and, from time to time, recommend persons to fill any vacancy on the Board;

(3) review annually, or more often if appropriate, the performance of individual members of the management of the Corporation and the membership and performance of committees of the Board and make recommendations deemed necessary or appropriate to the Board;

(4) recommend to the Board persons to be elected as Officers of the Corporation; and

(5) serve in an advisory capacity to the Board of Directors and Chairman of the Board on matters of organization, management succession plans, major changes in the organizational structure of the Corporation, and the conduct of Board activities, including assisting in the evaluation of the Board's own performance.

ARTICLE V

OFFICERS

SECTION 1. NUMBER. The Officers of the Corporation shall be the Chairman of the Board, the Chief Executive Officer, the President, one or more Executive, Group or Senior Vice Presidents, one or more Vice Presidents, a Treasurer, a Secretary, a Controller, a General Counsel and such Assistant Treasurers and Assistant Secretaries as the Board of Directors may elect. Any two or more offices may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The Officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies or new offices may be filled at any meeting of the Board of Directors. Each Officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL OF OFFICERS. Any Officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER. The Chairman shall preside at all meetings of the Board of Directors and the shareholders. The Chief Executive Officer shall be responsible for the overall management of the Corporation subject to the direction of the Board of Directors.

SECTION 6. PRESIDENT. The President shall be the Chief Operating Officer. The President shall perform such duties as may be prescribed by the Board of Directors or by the Chief Executive Officer.

SECTION 7. EXECUTIVE, GROUP AND SENIOR VICE PRESIDENTS. Each Executive, Group, or Senior Vice President shall be responsible for supervising and coordinating a major area of the Corporation's activities subject to the direction of the Chief Executive Officer or the President.

SECTION 8. VICE PRESIDENTS. Each of the Vice Presidents shall be responsible for those activities designated by an Executive, Group, or Senior Vice President, the President, the Chief Executive Officer or by the Board of Directors.

SECTION 9. TREASURER. The Treasurer shall administer the investment, financing, insurance and credit activities of the Corporation.

SECTION 10. SECRETARY. The Secretary will be the custodian of the corporate records and of the seal of the Corporation, will countersign certificates for shares of the Corporation, and in general will perform all duties incident to the office of the Secretary. The Secretary shall have the authority to certify the By-Laws, resolutions of the shareholders and the Board of Directors and committees thereof, and other documents of the Corporation as true and correct copies hereof.

SECTION 11. CONTROLLER. The Controller will conduct the accounting activities of the Corporation, including the maintenance of the Corporation's general and supporting ledgers and books of account, operating budgets, and the preparation and consolidation of financial statements.

SECTION 12. GENERAL COUNSEL. The General Counsel will be the chief consultant of the Corporation on legal matters. He or she will supervise all matters of legal import concerning the interests of the Corporation.

SECTION 13. ASSISTANT TREASURER. The Assistant Treasurer shall, in the absence or incapacity of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties as shall from time to time be given to him or her by the Treasurer.

SECTION 14. ASSISTANT SECRETARY. The Assistant Secretary shall, in the absence or incapacity of the Secretary, perform the duties and exercise the powers of the Secretary, and shall perform such other duties as shall from time to time be given to him or her by the Secretary. The Assistant Secretary shall be, with the Secretary, keeper of the books, records, and the seal of the Corporation, and shall have the authority to certify the By-Laws, resolutions and other documents of the Corporation.

SECTION 15. GENERAL POWERS OF OFFICERS. The Chairman of the Board, the Chief Executive Officer, the President, and any Executive, Group or Senior Vice President, may sign without countersignature any deeds, mortgages, bonds, contracts, reports to public agencies, or other instruments whether or not the Board of Directors has expressly authorized execution of such instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws solely to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. Any other Officer of this Corporation may sign contracts, reports to public agencies, or other instruments which are in the regular course of business and within the scope of his or her authority, except where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed.

ARTICLE VI

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by any one of the Chairman of the Board, the Chief Executive Officer, the President or an Executive Vice President, and shall be countersigned by the Secretary or an Assistant Secretary and shall be sealed with the seal, or a facsimile of the seal, of the Corporation. If a certificate is countersigned by a Transfer Agent or Registrar, other than the

Corporation itself or its employee, any other signatures or countersignature on the certificate may be facsimiles. In case any Officer of the Corporation, or any officer or employee of the Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon such certificate ceases to be an Officer of the Corporation, or an officer or employee of the Transfer Agent or Registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if the Officer of the Corporation, or the officer or employee of the Transfer Agent or Registrar had not ceased to be such at the date of its issue. Each certificate representing shares shall state: that the Corporation is organized under the laws of the State of Illinois; the name of the person to whom issued; the number and class of shares; and the designation of the series, if any, which such certificate represents. Each certificate shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued in replacement until the former certificate for a like number of shares shall have been surrendered and canceled, except in the case of lost, destroyed or mutilated certificates.

SECTION 2. TRANSFER AGENT AND REGISTRAR. The Board of Directors may from time to time appoint such Transfer Agents and Registrars in such locations as it shall determine, and may, in its discretion, appoint a single entity to act in the capacity of both Transfer Agent and Registrar in any one location.

SECTION 3. TRANSFER OF SHARES. Transfers of shares of the Corporation shall be made only on the books of the Corporation at the request of the holder of record thereof or of his attorney, lawfully constituted in writing, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 4. LOST, DESTROYED OR MUTILATED CERTIFICATES. In case of lost, destroyed or mutilated certificates, duplicate certificates shall be issued to the person claiming the loss, destruction or mutilation, provided:

(a) That the claimant furnishes an affidavit stating the facts of such loss, destruction or mutilation so far as known to him or her and further stating that the affidavit is made to induce the Corporation to issue a duplicate certificate or certificates; and that issuance of the duplicate certificate or certificates is approved:

(i) in a case involving a certificate or certificates for more than 1,000 shares, by the Chairman of the Board, the Chief Executive Officer, the President, an Executive Vice President, or the Secretary; or

(ii) in a case involving a certificate or certificates for 1,000 shares or less, by the Transfer Agent appointed by the Board of Directors for the transfer of the shares represented by such certificate or certificates;

upon receipt of a bond, with one or more sureties, in the amount to be determined by the party giving such approval; or

(b) that issuance of the said duplicate certificate or certificates is approved by the Board of Directors upon such terms and conditions as it shall determine.

ARTICLE VII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

ARTICLE VIII

VOTING SHARES OR INTERESTS IN OTHER CORPORATIONS

The Chairman of the Board, the Chief Executive Officer, the President, an Executive, Group, or Senior Vice President and each of them, shall have the authority to act for the Corporation by voting any shares or exercising any other interest owned by the Corporation in any other corporation or other business association, including wholly or partially owned subsidiaries of the Corporation, such authority to include, but not be limited to, power to attend any meeting of any such corporation or other business association, to vote shares in the election of directors and upon any other matter coming before any such meeting, to waive notice of any such meeting and to consent to the holding thereof without notice, and to appoint a proxy or proxies to represent the Corporation at any such meeting with all the powers that the said Officer would have under this section if personally present.

ARTICLE IX

DISTRIBUTIONS TO SHAREHOLDERS

The Board of Directors may authorize, and the Corporation may make, distributions to its shareholders, subject to any restriction in the Articles of Incorporation and subject also to the limitations prescribed by law.

ARTICLE X

SEAL

The Corporate Seal of the Corporation shall be in the form of a circle in the center of which is the insignia "[Logo]" and shall have inscribed thereon the name of the Corporation and the words "an Illinois Corporation."

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of these By-Laws or under the provisions of the Articles of Incorporation or under the provisions of The Business Corporation Act of 1983, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute waiver of notice thereof unless the person at the meeting objects to the holding of the meeting because proper notice was not given.

ARTICLE XII

AMENDMENTS

These By-Laws may be made, altered, amended or repealed by the shareholders or the Board of Directors.

Amended effective April 23, 1999

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 Five Thousand Dollars ($5,000.00) 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 Six Hundred Sixty-Seven Dollars ($667.00) 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 Six Hundred Sixty-Seven Dollars ($667.00) 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 Six Hundred Sixty-Seven Dollars ($667.00) 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 Six Hundred Sixty-Seven Dollars ($667.00) 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 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 entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of the Company;

(ii) The date the shareholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of the Company; or

(iii) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

4.6 The provisions of Paragraphs 4.4 and 4.5 and this Paragraph 4.6 may not be amended or deleted, nor superseded by any other provision of the Plan, 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.

Exhibit A

IRREVOCABLE GRANTOR TRUST AGREEMENT

THIS AGREEMENT, made this _____ day of _____, 198_, by and between _____ of _____, _____ (the "grantor"), and The Northern Trust Company, located at Chicago, Illinois, as trustee (the "trustee"),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust 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;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may be referred to as the "_____ 1988 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, in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum. 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 at 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 and the trustee have executed this agreement as of the day and year first above written.

Grantor

The Northern Trust Company, as Trustee

By

Its

December 23, 1998

Mr. Duane L. Burnham
15 Bridlewood Road
Northbrook, IL 60062-4707

Dear Duane:

You shall be entitled to participate in all applicable Abbott employee benefit plans (including Abbott's stock option plans) in accordance with their terms, based on your compensation and service with Abbott as an employee through April 30, 1999 and as a retiree thereafter (including coverage for yourself and your eligible dependants under normal Abbott retiree medical and dental coverage and retiree life insurance under the normal provisions of the Abbott plans as they may be in effect from time to time).

In recognition of your successful completion of management succession ahead of schedule, Abbott will pay you, in the form of a payment for consultation described below, a total of $2,205,000 on April 23, 1999, with $705,000 being paid in cash and $1,500,000 being deposited into your grantor trust net of pro forma income taxes, which will be paid to you in cash. Also, in addition to the pension you shall receive under the Annuity Retirement Plan and Supplemental Pension Plan, starting May 31, 1999, you shall receive a monthly pension in the amount of $6,238.08 in the form of a single life annuity. During the first week of January, 1999, the present value of this amount, which is estimated to be $754,175.24, shall be funded in a manner consistent with the grantor trust you established under the Supplemental Pension Plan.

Beginning May 1, 1999 and ending December 31, 1999, you agree to make yourself available for consultation with the Board of

Directors, any committee or member thereof, or any elected officer of Abbott, as may be reasonably requested from time to time by the Chairman of the Board of Directors. Abbott will reimburse you for all reasonable travel, lodging and sustenance expenses incurred by you at the request of Abbott for such consultation.

Sincerely,

Jose M. de Lasa

AGREED

Duane L. Burnham

JmdL:ras

EXHIBIT 12

Abbott Laboratories and Subsidiaries

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)

(dollars in millions except ratios)

	Year Ended December 31				
	1998	1997	1996	1995	1994
Net Earnings	$2,333	$2,094	$1,882	$1,689	$1,517
Add (deduct):					
Income taxes	907	855	788	706	650
Capitalized interest cost, net of amortization	1	(1)	(4)	(7)	(7)
Equity in earnings of 20% -49% owned companies, less dividends received.	0	0	0	2	0
Minority interest.	7	11	16	18	12
Net earnings as adjusted	$3,248	$2,959	$2,682	$2,408	$2,172
Fixed Charges:					
Interest on long-term and short-term debt.	$160	$135	$95	$70	$50
Capitalized interest cost.	14	14	16	19	18
Rental expense representative of an interest factor.	40	29	26	26	26
Total Fixed Charges.	214	178	137	115	94
Total adjusted earnings available for payment of fixed charges	$3,462	$3,137	$2,819	$2,523	$2,266
Ratio of earnings to fixed charges	16.2	17.6	20.6	21.9	24.1

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.

Exhibit 13

The portions of the Abbott Laboratories Annual Report for the year ended December 31, 1998 captioned Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Balance Sheet, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, Report of Independent Public Accountants, Financial Instruments and Risk Management, Financial Review, and the applicable portions of the section captioned Summary of Financial Data for the years 1994 through 1998.

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

(dollars and shares in thousands except per share data)

	Year Ended December 31		
	1998	1997	1996
Net Sales	$12,477,845	$11,883,462	$11,013,460
Cost of products sold	5,394,441	5,045,678	4,731,998
Research and development	1,221,593	1,302,403	1,204,841
Selling, general and administrative	2,743,888	2,684,955	2,459,560
Total Operating Cost and Expenses	9,359,922	9,033,036	8,396,399
Operating Earnings	3,117,923	2,850,426	2,617,061
Net interest expense	104,118	86,802	50,924
Income from TAP Holdings Inc. joint venture	(266,347)	(189,497)	(129,717)
Net foreign exchange (gain) loss	31,158	(9,048)	21,827
Other (income) expense, net	8,395	12,223	4,477
Earnings Before Taxes	3,240,599	2,949,946	2,669,550
Taxes on earnings	907,368	855,484	787,517
Net Earnings	$ 2,333,231	$ 2,094,462	$ 1,882,033
Basic Earnings Per Common Share	$1.53	$1.36	$1.20
Diluted Earnings Per Common Share	$1.51	$1.34	$1.19
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,522,702	1,539,746	1,562,494
Dilutive Common Stock Options	22,956	21,716	18,098
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,545,658	1,561,462	1,580,592
Outstanding Common Stock Options Having No Dilutive Effect	657	2,216	600

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		
	1998	1997	1996
Cash Flow From (Used in) Operating Activities:			
Net earnings	$2,333,231	$2,094,462	$1,882,033
Adjustments to reconcile net earnings to net cash from operating activities -			
Depreciation and amortization.	784,243	727,754	686,085
Exchange (gains) losses, net	(14,176)	31,005	(3,419)
Investing and financing (gains) losses, net.	90,798	113,999	57,224
Trade receivables.	(143,470)	(222,427)	(163,621)
Inventories.	(111,649)	(98,964)	(125,726)
Prepaid expenses and other assets.	(239,533)	(491,769)	(303,766)
Trade accounts payable and other liabilities	178,979	485,407	342,407
Income taxes payable	(145,522)	(10,700)	10,845
Net Cash From Operating Activities	2,732,901	2,628,767	2,382,062
Cash Flow From (Used in) Investing Activities:			
Acquisition of International Murex in 1998, Sanofi's parenteral products businesses in 1997, and MediSense in 1996, net of cash acquired.	(249,177)	(200,475)	(830,559)
Acquisitions of property, equipment and other businesses	(990,619)	(1,007,296)	(949,028)
Purchases of investment securities	(278,002)	(25,115)	(312,535)
Proceeds from sales of investment securities	78,898	43,424	117,783
Other.	18,034	(8,209)	19,098
Net Cash Used in Investing Activities.	(1,420,866)	(1,197,671)	(1,955,241)
Cash Flow From (Used in) Financing Activities:			
Proceeds from (repayments of) commercial paper, net.	42,000	402,000	317,000
Proceeds from issuance of long-term debt	400,000	-	500,000
Other borrowing transactions, net.	(59,499)	16,085	18,037
Purchases of common shares	(875,407)	(1,054,512)	(808,816)
Proceeds from stock options exercised.	150,881	137,482	109,638
Dividends paid	(891,661)	(809,554)	(728,147)
Net Cash Used in Financing Activities.	(1,233,686)	(1,308,499)	(592,288)

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(dollars in thousands)

	Year Ended December 31		
	1998	1997	1996
Effect of exchange rate changes on cash and cash equivalents	(143)	(2,782)	(5,521)
Net Increase (Decrease) in Cash and Cash Equivalents	78,206	119,815	(170,988)
Cash and Cash Equivalents, Beginning of Year	230,024	110,209	281,197
Cash and Cash Equivalents, End of Year	$ 308,230	$ 230,024	$ 110,209
Supplemental Cash Flow Information:			
Income taxes paid	$1,060,479	$ 922,242	$ 801,107
Interest paid	153,875	132,645	89,509

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

Abbott Laboratories and Subsidiaries

CONSOLIDATED BALANCE SHEET

(dollars in thousands)

ASSETS

	December 31		
	1998	1997	1996
Current Assets:			
Cash and cash equivalents	$ 308,230	$ 230,024	$ 110,209
Investment securities	75,087	28,986	12,875
Trade receivables, less allowances of - 1998: $190,952; 1997: $167,406; 1996: $153,424	1,950,058	1,782,326	1,708,807
Inventories -			
Finished products	697,494	667,355	627,449
Work in process	345,776	287,653	269,443
Materials	367,339	324,892	341,313
Total inventories	1,410,609	1,279,900	1,238,205
Prepaid income taxes	847,154	800,591	708,402
Other prepaid expenses and receivables	961,998	916,381	702,404
Total Current Assets	5,553,136	5,038,208	4,480,902
Investment Securities Maturing after One Year	783,842	630,967	665,553
Property and Equipment, at Cost:			
Land	165,474	152,791	156,038
Buildings	1,860,068	1,746,772	1,621,036
Equipment	7,099,092	6,486,512	6,142,139
Construction in progress	271,602	404,082	451,070
	9,396,236	8,790,157	8,370,283
Less: accumulated depreciation and amortization	4,657,393	4,220,466	3,908,740
Net Property and Equipment	4,738,843	4,569,691	4,461,543
Net Intangible Assets	1,349,822	1,112,126	979,793
Deferred Charges and Other Assets	790,570	710,076	537,809
	$13,216,213	$12,061,068	$11,125,600

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

Abbott Laboratories and Subsidiaries

CONSOLIDATED BALANCE SHEET

(dollars in thousands)

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	December 31		
	1998	1997	1996
Current Liabilities:			
Short-term borrowings and current portion of long-term debt	$ 1,759,076	$ 1,781,352	$ 1,383,727
Trade accounts payable	1,056,641	1,001,058	923,018
Salaries, wages and commissions	374,262	332,914	322,292
Other accrued liabilities	1,378,707	1,406,132	1,206,552
Dividends payable	227,400	201,450	185,866
Income taxes payable	166,040	311,562	322,262
Total Current Liabilities	4,962,126	5,034,468	4,343,717
Long-Term Debt	1,339,694	937,983	932,898
Deferred Income Taxes	108,964	136,514	153,279
Other Liabilities and Deferrals	1,091,768	953,426	875,524
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: 1998: 1,533,774,332; 1997: 1,546,468,504;			
1996: 1,568,075,716	1,231,079	907,106	694,380
Common shares held in treasury, at cost -			
Shares: 1998: 17,710,838; 1997: 18,280,398;			
1996: 19,177,264	(46,735)	(48,238)	(50,605)
Unearned compensation - restricted stock awards	(25,331)	(25,532)	(7,627)
Earnings and other comprehensive income employed in the business	4,554,648	4,165,341	4,184,034
Total Shareholders' Investment	5,713,661	4,998,677	4,820,182
	$13,216,213	$12,061,068	$11,125,600

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

(dollars in thousands except per share data)

	Year Ended December 31		
	1998	1997	1996
Common Shares:			
Beginning of Year			
Shares: 1998: 1,546,468,504; 1997: 1,568,075,716; 1996: 1,594,042,422	$ 907,106	$ 694,380	$ 581,562
Issued under incentive stock programs			
Shares: 1998: 13,641,871; 1997: 15,268,426; 1996: 10,207,402.	257,249	177,395	105,648
Tax benefit from option shares and vesting of restricted stock awards (no share effect)	85,070	53,866	21,589
Retired - Shares: 1998: 26,336,043; 1997: 36,875,638; 1996: 36,174,108	(18,346)	(18,535)	(14,419)
End of Year			
Shares: 1998: 1,533,774,332; 1997: 1,546,468,504; 1996: 1,568,075,716	$1,231,079	$ 907,106	$ 694,380
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 1998: 18,280,398; 1997: 19,177,264; 1996: 19,428,758.	$ (48,238)	$ (50,605)	$ (51,268)
Issued under incentive stock programs			
Shares: 1998: 569,560; 1997: 896,866; 1996: 251,494	1,503	2,367	663
End of Year			
Shares: 1998: 17,710,838; 1997: 18,280,398; 1996: 19,177,264.	$ (46,735)	$ (48,238)	$ (50,605)
Unearned Compensation - Restricted Stock Awards:			
Beginning of Year.	$ (25,532)	$ (7,627)	$ (4,718)
Issued at market value - Shares: 1998: 554,000; 1997: 888,000; 1996: 237,600	(20,584)	(25,914)	(5,881)
Lapses - Shares: 1998: 22,000; 1996: 12,000.	705	-	308
Amortization	20,080	8,009	2,664
End of Year.	$ (25,331)	$ (25,532)	$ (7,627)
Earnings and Other Comprehensive Income Employed in the Business:			
Beginning of Year.	$4,165,341	$4,184,034	$3,871,271
Comprehensive income:			
Net earnings.	2,333,231	2,094,462	1,882,033
Other comprehensive income (loss):			
Foreign currency translation adjustments.	1,504	(183,886)	(23,101)
Unrealized gains on marketable equity securities.	991	3,025	15,000
Tax benefit (expense) related to items of other comprehensive income.	45	(1,210)	(6,023)
Total other comprehensive income (loss), net of tax	2,540	(182,071)	(14,124)
Comprehensive income	2,335,771	1,912,391	1,867,909
Cash dividends declared on common shares (per share -1998: $.60; 1997: $.54; 1996: $.48).	(917,611)	(825,138)	(748,659)
Cost of common shares retired in excess of stated capital amount	(1,048,500)	(1,129,757)	(811,996)
Cost of treasury shares issued below market value of restricted stock awards	19,647	23,811	5,509
End of Year.	$4,554,648	$4,165,341	$4,184,034

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT (CONTINUED)

(dollars in thousands except per share data)

	Year Ended December 31		
	1998	1997	1996
Supplemental Comprehensive Income Information:			
Cumulative foreign currency translation loss adjustments, net of tax	$ 260,711	$ 262,656	$ 78,770
Cumulative unrealized (gains) on marketable equity securities, net of tax	(33,010)	(32,415)	(30,600)

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

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

NATURE OF BUSINESS AND CONCENTRATION OF RISK - The Company's principal business is the discovery, development, manufacture and sale of a broad line of health care products and services. Due to the nature of the Company's operations, it is not subject to significant concentration risks relating to customers, products or geographic locations.

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 1998, 1997, and 1996 which 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 and inventory and accounts receivable exposures.

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 as a component of earnings and other comprehensive income employed in the business. 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 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. In 1998, the Company elected early adoption of the provisions of the American Institute of Certified Public Accountants' Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement requires capitalization of certain costs incurred in the development of internal-use software. Adoption of the provisions of this statement did not have a material effect on the financial statements of the Company. The following table shows estimated useful lives of property and equipment:

Classification	Expected Useful Lives
Buildings	10 to 50 years (average 29 years)
Equipment	3 to 20 years (average 11 years)

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

INTANGIBLE ASSETS - Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized on a straight-line basis over up to 40 years. Accumulated amortization as of December 31, 1998, 1997, and 1996, was $163 million, $98 million, and $55 million, respectively.

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 earnings and other comprehensive income employed in the business.

REVENUE RECOGNITION - Revenue from product sales is recognized upon shipment to customers. Provisions for discounts and rebates to customers, and returns and other adjustments are provided for in the same period the related sales are recorded.

RESEARCH AND DEVELOPMENT - Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved.

COMPREHENSIVE INCOME - In 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." As a result, certain balance sheet reclassifications were made to previously reported amounts to achieve the required presentation of comprehensive income.

Note 2 - Supplemental Financial Information
(dollars in thousands)

	1998	1997	1996
Other prepaid expenses and receivables			
Receivables purchased from TAP Holdings Inc. under a factoring agreement.	$ 310,993	$344,979	$255,455
All other.	651,005	571,402	446,949
Total.	$ 961,998	$916,381	$702,404
Other liabilities and deferrals			
Accrued post-employment costs.	$ 477,417	$409,169	$342,582
All other.	614,351	544,257	532,942
Total.	$1,091,768	$953,426	$875,524
Net interest expense			
Interest expense	$ 159,839	$134,550	$ 95,445
Interest income.	(55,721)	(47,748)	(44,521)
Total.	$ 104,118	$ 86,802	$ 50,924

Note 3 - 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 $1,818,000 at December 31, 1998. Deferred income taxes not provided on these earnings would be approximately $356,000.

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

Earnings Before Taxes	1998	1997	1996
Domestic	$2,519,719	$2,236,393	$1,934,872
Foreign	720,880	713,553	734,678
Total	$3,240,599	$2,949,946	$2,669,550

Taxes on Earnings	1998	1997	1996
Current:			
U.S. Federal and Possessions	$743,980	$717,156	$573,208
State	49,869	71,447	62,835
Foreign	184,100	171,259	207,512
Total current	977,949	959,862	843,555
Deferred:			
Domestic	(92,681)	(130,634)	(68,762)
Foreign	25,219	26,836	13,338
Enacted tax rate changes	(3,119)	(580)	(614)
Total deferred	(70,581)	(104,378)	(56,038)
Total	$907,368	$855,484	$787,517

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

	1998	1997	1996
Statutory tax rate	35.0%	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico, the Dominican Republic, Ireland, the Netherlands, and Italy	(4.9)	(6.1)	(6.5)
State taxes, net of federal benefit	1.0	1.6	1.5
Domestic dividend exclusion	(2.3)	(1.8)	(1.4)
All other, net	(0.8)	0.3	0.9
Effective tax rate	28.0%	29.0%	29.5%

As of December 31, 1998, 1997, and 1996, total deferred tax assets were $1,269,441, $1,144,915, and $997,036, respectively, and total deferred tax liabilities were $487,207, $461,943, and $427,412, 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:

Investment Securities Maturing after One Year	1998	1997	1996
Compensation and employee benefits	$ 254,026	$ 205,423	$ 185,537
Trade receivable reserves.	173,525	176,070	130,692
Inventory reserves	115,693	119,398	122,522
Deferred intercompany profit	177,515	135,211	112,467
State income taxes	26,585	32,442	30,343
Depreciation	(197,832)	(196,233)	(184,270)
Other, primarily other accruals and reserves not currently deductible, and the excess of book basis over tax basis of intangible assets	188,678	191,766	157,832
Total.	$ 738,190	$ 664,077	$ 555,123

Note 4 - Investment Securities
(dollars in thousands)

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

Current Investment Securities	1998	1997	1996
Time deposits and certificates of deposit	$ 50,000	$ 25,700	$ 800
Other, primarily debt obligations issued or guaranteed by various governments or government agencies.	25,087	3,286	12,075
Total.	$ 75,087	$ 28,986	$ 12,875

Investment Securities Maturing after One Year	1998	1997	1996
Time deposits and certificates of deposit, maturing through 2001.	$486,500	$406,500	$432,200
Corporate debt obligations, maturing through 2008	112,320	82,143	84,310
Debt obligations issued or guaranteed by various governments or government agencies, maturing through 2023.	185,022	142,324	149,043
Total.	$783,842	$630,967	$665,553

The Company has both the intent and ability to hold the above investment securities until maturity, and therefore they are classified as held-to-maturity securities. All investment securities classified as current as of December 31, 1998, mature in 1999.

Of the investment securities listed above, $858,809, $656,634, and $676,251, were held at December 31, 1998, 1997, and 1996, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring from 2002 through 2007. In addition, these subsidiaries held cash equivalents of $74,900 and $81,100 at December 31, 1998, and 1997, respectively.

The Company maintains a portfolio of available-for-sale equity securities from strategic technology acquisitions which are included in deferred charges and other assets. The fair value of marketable equity securities is $98,075, $83,083, and $58,691, and the cost basis of nonmarketable equity securities is $75,901, $50,202 and $28,457 as of December 31, 1998, 1997 and 1996, respectively.

Note 5 - Post-Employment Benefits
(dollars in thousands)

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans.

Information for the Company's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

	Defined Benefit Plans			Medical and Dental Plans		
	1998	1997	1996	1998	1997	1996
Projected benefit obligations, January 1	$2,000,329	$1,771,191	$1,494,348	$ 646,448	$ 599,631	$ 556,969
Service cost - benefits earned during the year	108,754	97,272	81,243	30,664	28,274	28,302
Interest cost on projected benefit obligations	140,287	128,404	111,449	43,770	42,167	40,822
Actuarial loss (gain), primarily changes in discount rate and lower than estimated health care costs.	182,829	95,495	154,993	18,057	(5,389)	(9,149)
Benefits paid.	(85,722)	(77,722)	(66,776)	(23,993)	(18,235)	(17,313)
Other, primarily translation	2,143	(14,311)	(4,066)	...	...	...
Projected benefit obligations, December 31	$2,348,620	$2,000,329	$1,771,191	$ 714,946	$ 646,448	$ 599,631
Plans' assets at fair value, January 1, principally listed securities.	$2,192,486	$1,828,989	$1,600,368	$86,600	$87,719	$95,530
Actual return on plans' assets	426,023	373,405	224,624	18,656	17,009	9,372
Company contributions.	18,945	76,083	69,674	1,265	107	130
Benefits paid.	(85,722)	(77,722)	(66,776)	(23,993)	(18,235)	(17,313)
Other, primarily translation	(761)	(8,269)	1,099	...	...	...
Plans' assets at fair value, December 31, principally listed securities.	$2,550,971	$2,192,486	$1,828,989	$82,528	$86,600	$87,719
Projected benefit obligations less than (greater than) plans' assets, December 31	$ 202,351	$ 192,157	$ 57,798	$(632,418)	$(559,848)	$(511,912)
Unrecognized actuarial (gains) losses, net	(143,876)	(78,522)	51,531	137,701	133,379	152,030
Unrecognized prior service cost.	6,134	9,053	11,968	...	...	...
Unrecognized transition obligation	(21,015)	(32,085)	(42,728)	...	...	...
Prepaid (accrued) benefit cost	$ 43,594	$ 90,603	$ 78,569	$(494,717)	$(426,469)	$(359,882)
Service cost - benefits earned during the year	$ 108,754	$ 97,272	$81,243	$30,664	$28,274	$28,302
Interest cost on projected benefit obligations	140,287	128,404	111,449	43,770	42,167	40,822
Expected return on plans' assets	(179,194)	(148,250)	(136,062)	(7,211)	(7,035)	(7,793)
Net amortization	(7,728)	(7,154)	(7,464)	2,290	3,288	5,549
Net cost	$ 62,119	$ 70,272	$ 49,166	$ 69,513	$ 66,694	$ 66,880

The projected benefit obligations for certain foreign defined benefit plans that do not have plan assets were $62,719, $52,841, and $69,337 at December 31, 1998, 1997, and 1996, respectively.

Assumptions used for major benefit plans as of December 31 include:

	1998	1997	1996
Discount rate for determining obligations and interest cost.	6 3/4%	7 1/4%	7 1/2%
Expected aggregate average long-term change in compensation.	5%	5%	5%
Expected long-term rate of return on assets.	9 1/2%	9 1/2%	9%

A five percent annual rate of increase in the per capita cost of covered health care benefits is assumed.

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, 1998, by approximately $139,214/($114,623), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $17,612/($14,289).

The Stock Retirement Plan is the principal defined contribution plan. Company contributions to this plan were $66,911 in 1998, $60,838 in 1997, and $54,883 in 1996, equal to 7.33 percent of dividends declared, as provided under the plan.

The Company 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 - Financial Instruments and Derivatives

The Company enters into foreign currency forward exchange contracts to hedge intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. Such contracts are also used to hedge foreign currency denominated third-party trade payables and receivables. For intercompany loans, the contracts require the Company 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 currencies hedged are primarily the U.S. dollar, European currencies and Japanese yen. At December 31, 1998, 1997, and 1996, the Company held $1.6 billion, $1.3 billion, and $1.0 billion, respectively, of foreign currency forward exchange contracts. The contracts outstanding at December 31, 1998, mature in 1999. These contracts are marked to market each month. The resulting gains or losses are reflected in income and are generally offset by losses or gains on the exposures being hedged.

The Company's foreign subsidiaries purchase U.S. dollar call options as a hedge of anticipated intercompany purchases by these subsidiaries whose functional currency is not the U.S. dollar. These contracts give the Company the right, but not the requirement, to purchase U.S. dollars in exchange for foreign currencies, primarily European currencies and Japanese yen, at predetermined exchange rates. At December 31, 1998, 1997, and 1996, the Company held $406 million, $461 million, and $431 million, respectively, of U.S. dollar call option contracts. The contracts outstanding at December 31, 1998, mature in 1999. Realized and unrealized gains and losses on contracts that qualify as hedges of anticipated purchases by foreign subsidiaries are recognized in the same period that the foreign currency exposure is recognized. Contracts that do not qualify for hedge accounting are marked to market each month, and the resulting gains or losses are reflected in income.

The Company purchases foreign currency put options as a hedge against the effect of exchange rate fluctuations on income. These contracts give the Company the right, but not the requirement, to sell foreign currencies, primarily European currencies and Japanese yen, in exchange for U.S. dollars at predetermined exchange rates. These contracts are marked to market each month. The resulting gains or losses are reflected in income and are generally offset by losses or gains on the exposures being hedged. There were no such contracts outstanding at December 31, 1998, 1997, and 1996.

Net unrealized losses on foreign currency forward exchange contracts are included in other prepaid expenses and receivables, and net unrealized gains are included in other accrued liabilities. Gains and losses are classified as net foreign exchange (gain) loss. For U.S. dollar call options, net unrealized gains and losses and unamortized premiums are included in other prepaid expenses and receivables, and for foreign currency put options and U.S. dollar call options that do not qualify for hedge accounting, gains and losses are included as net foreign exchange (gain) loss. For U.S. dollar call options that qualify for hedge accounting treatment, gains and losses are included in cost of products sold at the time the products are sold.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires the recognition of the fair value of derivatives as either assets or liabilities. The statement is effective for fiscal years beginning after June 15, 1999. Adoption of the provisions of this statement will not have a material effect on the financial statements of the Company.

The gross unrealized holding gains (losses) on current held-to-maturity investment securities and those maturing after one year totaled $3.7 million and $(9.6) million, respectively, at December 31, 1998; $4.1 million and $(10.2) million, respectively, at December 31, 1997; and $4.2 million and $(11.0) million, respectively, at December 31, 1996. The gross unrealized holding gains (losses) on available-for-sale marketable equity securities, classified as deferred charges and other assets, totaled $61.7 million and $(6.7) million, respectively, at December 31, 1998. The gross unrealized holding gains on available-for-sale marketable equity securities were $54.0 million and $51.0 million, respectively, at December 31, 1997 and 1996.

The carrying values and fair values of certain of the Company's 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 counterparties to financial instruments consist of select major international financial institutions. The Company does not expect any losses from nonperformance by these counterparties.

(millions of dollars)

	1998		1997		1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment Securities:						
Current	$ 75.1	$ 75.7	$ 29.0	$ 29.1	$ 12.9	$ 12.7
Maturing after One Year	783.8	777.3	631.0	624.8	665.6	659.0
Total Long-Term Debt	(1,340.8)	(1,400.9)	(940.6)	(946.0)	(935.2)	(917.0)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(14.2)	(14.2)	(6.2)	(6.2)	(10.9)	(10.9)
Receivable position	21.7	21.7	24.1	24.1	18.6	18.6
Foreign Currency Option Contracts	14.4	3.6	14.8	15.3	2.8	1.6

Note 7 - Common Stock Split

On February 13, 1998, the Board of Directors approved a two-for-one stock split. Shareholders of record on May 1, 1998, were issued an additional share of the Company's common stock on May 29, 1998, for each share owned on the record date. All common shares and per share data in the consolidated financial statements and notes have been adjusted to reflect the stock split.

Note 8 - 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, limited stock appreciation rights, restricted stock awards, and foreign qualified benefits have been granted and are currently outstanding under this program and prior programs. 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 ten years. Options granted in 1998, 1997, and 1996 vest equally over three years except for replacement options which generally vest in six months.

Limited stock appreciation rights have been granted to certain holders of stock options and can be exercised, by surrendering the related stock options, only upon a change in control of the Company. At December 31, 1998, 7,319,089 options, with a weighted average exercise price of $25.10 per share, were subject to limited stock appreciation rights. Upon a change in control of the Company, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards are deemed satisfied.

At January 1, 1999, 23,244,070 shares were reserved for future grants under the 1996 Program. Subsequent to year end, the Board of Directors granted approximately 13.3 million stock options from this reserve. Data with respect to stock options under the 1996 Program and prior programs are as follows:

	OPTIONS OUTSTANDING		EXERCISABLE OPTIONS	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
January 1, 1996	59,001,574	$13.91		
Granted	12,243,128	21.98		
Exercised	(10,207,402)	10.19		
Lapsed	(563,110)	20.20		
December 31, 1996	60,474,190	16.11	39,914,828	$13.75
Granted	14,203,498	29.72		
Exercised	(15,268,426)	11.37		
Lapsed	(753,016)	24.18		
December 31, 1997	58,656,246	20.54	33,544,332	16.56
Granted	17,894,254	37.92		
Exercised	(13,641,871)	18.30		
Lapsed	(949,032)	31.21		
December 31, 1998	61,959,597	$25.89	35,018,732	$20.23

Range of Exercise Prices	Options Outstanding at December 31, 1998			Exercisable Options at December 31, 1998	
	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 6 to $21	23,408,676	4.2	$16.47	23,376,410	$16.47
22 to 36	22,423,247	7.8	26.88	10,647,080	26.82
37 to 50	16,127,674	9.2	38.17	995,242	38.04
$ 6 to $50	61,959,597	6.8	$25.89	35,018,732	$20.23

The Company measures compensation cost using the intrinsic value-based method of accounting. Had compensation cost been determined using the fair market value-based accounting method for options granted since 1995, pro forma net income for 1998, 1997, and 1996 would have been $2.243 billion, $2.030 billion and $1.845 billion, respectively, and pro forma basic earnings per common share for 1998, 1997 and 1996 would have been $1.47, $1.32 and $1.18, respectively. The weighted average fair value of an option granted in 1998, 1997 and 1996, was $10.31, $8.21 and $5.82, respectively. For purposes of fair market value disclosures, the fair market value of an option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

	1998	1997	1996
Risk-Free Interest Rate.	5.50%	6.00%	5.25%
Average Life of Options (years).	5.6	5.2	5.2
Volatility	23.0%	25.0%	25.0%
Dividend Yield	1.6%	1.9%	1.9%

Note 9 - Debt and Lines of Credit
(dollars in thousands)

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

	1998	1997	1996
6.5% debentures, due 2001.	$ 250,000	$250,000	$250,000
5.6% debentures, due 2003.	200,000	200,000	200,000
6.8% debentures, due 2005.	150,000	150,000	150,000
6.4% debentures, due 2006.	250,000	250,000	250,000
6.0% debentures, due 2008.	200,000	-	-
5.4% debentures, due 2008.	200,000	-	-
Other.	89,694	87,983	82,898
Total, net of current maturities	$1,339,694	$937,983	$932,898

Payments required on long-term debt outstanding at December 31, 1998 are $1,125 in 1999, $9,926 in 2000, $250,926 in 2001, $1,351 in 2002, and $201,280 in 2003.

At December 31, 1998, the Company had $2,505,000 of unused domestic lines of credit which support domestic commercial paper borrowing arrangements. Related compensating balances, which are subject to withdrawal by the Company at its option, and commitment fees are not material. The Company's weighted average interest rate on short-term borrowings was 5.5%, 6.0%, and 5.8% at December 31, 1998, 1997, and 1996, respectively.

The Company may issue up to $750,000 of senior debt securities in the future under a registration statement filed with the Securities and Exchange Commission in 1998.

Note 10 - Investment in Equity Method Investments
(dollars in millions)

The Company's 50 percent owned joint venture, TAP Holdings Inc. (TAP), is accounted for under the equity method of accounting. The Company's share of TAP's income was $266, $189, and $130 in 1998, 1997, and 1996, respectively. The investment in TAP is included in deferred charges and other assets and was $368, $311, and $185 at December 31, 1998, 1997, and 1996, respectively. Dividends received from TAP were $209, $63, and $20 in 1998, 1997, and 1996, respectively. Summarized financial information for TAP is as follows:

	Year Ended December 31		
	1998	1997	1996
Net Sales.	$2,062.7	$1,565.8	$1,128.6
Cost of products sold.	426.5	321.1	270.6
Income before income taxes	836.3	612.4	426.7
Net income	532.7	379.0	259.4

	December 31		
	1998	1997	1996
Current assets	$1,088.8	$ 727.5	$ 439.0
Total assets	1,251.1	847.9	577.1
Current liabilities.	514.2	223.2	198.5

Undistributed earnings of investments accounted for under the equity method amounted to $345 as of December 31, 1998.

Note 11 - Quarterly Results (Unaudited)
(dollars in millions except per share data)

	1998	1997	1996
FIRST QUARTER			
Net Sales.	$3,044.9	$2,999.8	$2,672.2
Gross Profit	1,764.9	1,672.5	1,516.0
Net Earnings	589.6	534.8	480.1
Basic Earnings Per Common Share.	.39	.34	.30
Diluted Earnings Per Common Share. . . .	.38	.34	.30
SECOND QUARTER			
Net Sales.	$3,066.8	$2,900.4	$2,699.2
Gross Profit	1,769.0	1,683.4	1,555.3
Net Earnings	585.6	521.5	470.4
Basic Earnings Per Common Share.	.38	.34	.30
Diluted Earnings Per Common Share. . . .	.38	.33	.30
THIRD QUARTER			
Net Sales.	$3,035.8	$2,865.2	$2,646.2
Gross Profit	1,660.8	1,623.3	1,468.9
Net Earnings	531.7	471.5	420.9
Basic Earnings Per Common Share.	.35	.31	.27
Diluted Earnings Per Common Share. . . .	.34	.30	.26
FOURTH QUARTER			
Net Sales.	$3,330.3	$3,118.1	$2,995.9
Gross Profit	1,888.7	1,858.6	1,741.3
Net Earnings	626.3	566.7	510.6
Basic Earnings Per Common Share.	.41	.37	.33
Diluted Earnings Per Common Share. . . .	.41	.37	.33

Note 12 - Business Acquisitions

In 1998, the Company acquired the common stock of International Murex Technologies Corporation, a manufacturer of medical diagnostic products, for approximately $234 million in cash. A substantial portion of the purchase price was allocated to goodwill, which will be amortized on a straight-line basis over 20 years. In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc., for approximately $200 million in cash. A substantial portion of the purchase price was allocated to goodwill, which will be amortized on a straight-line basis over 15 years. In 1996, the Company acquired all of the outstanding shares of MediSense, Inc., a manufacturer of blood glucose self-testing products, for approximately $867 million in cash. Goodwill of approximately $219 million will be amortized on a straight-line basis over 32 years and other intangible assets of $635 million, including trade names, patient base and acquired technology, will be amortized on a straight-line basis over approximately 30 years. Purchased in-process research and development of $37 million was charged against earnings. Had these acquisitions taken place on January 1 of the previous years, consolidated sales and income would not have been significantly different from reported amounts.

The Company currently owns 76 percent of the capital stock of a Japanese subsidiary. In 1998, the Japanese subsidiary converted the common stock of the minority interest shareholder into non-voting, non-participating cumulative preferred stock. Pursuant to an agreement with the minority interest shareholder, the Company will purchase this preferred stock over an eight-year period beginning in 1999 for approximately $115 million. In 1998 and 1997, the Company purchased six percent of the subsidiary's common stock for approximately $30 million. Goodwill of $110 million resulting from these transactions will be amortized on a straight-line basis over 40 years.

Note 13 - Segment and Geographic Area Information
(dollars in millions)

REVENUE SEGMENTS - The Company's principal business is the discovery, development, manufacture and sale of a broad line of health care products and services. The Company's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. The Company's products are sold through six revenue segments as follows:

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

DIAGNOSTIC PRODUCTS - Worldwide sales of diagnostic systems 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 all the Company's pharmaceutical, hospital and nutritional products. Products sold by International are manufactured by domestic segments and by international manufacturing locations.

CHEMICAL & AGRICULTURAL PRODUCTS - Worldwide sales of chemicals and agricultural products for crop protection, forestry and animal health and a supplier of bulk drugs for the Pharmaceutical Products, Hospital Products, and International segments.

The Company'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 which approximate cost. Remaining costs, if any, are not allocated to revenue segments. The following segment information has been prepared in accordance with the internal accounting policies of the Company, as described above, and may not be presented in accordance with generally accepted accounting principles.

Note 13 - Segment and Geographic Area Information
(dollars in millions)
(continued)

	Net Sales to External Customers			Operating Earnings			Depreciation and Amortization		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
Pharmaceutical	$ 2,601	$ 2,475	$ 2,058	$1,402	$1,242	$ 970	$ 40	$ 37	$ 31
Diagnostics (a)(b)	2,790	2,613	2,571	448	433	493	245	234	203
Hospital (c)	1,890	1,689	1,476	369	277	230	119	109	101
Ross	1,820	1,850	1,898	540	528	597	72	68	64
International (a)	3,001	2,912	2,736	605	637	596	98	97	91
Chemical & Agricultural	352	332	278	117	111	72	66	63	57
Total Segments	12,454	11,871	11,017	$3,481	$3,228	$2,958	$640	$608	$547
Other	24	12	(4)						
Net Sales	$12,478	$11,883	$11,013						

	Additions to Long-Term Assets			Total Assets		
	1998	1997	1996	1998	1997	1996
Pharmaceutical	$ 54	$ 53	$ 49	$ 1,315	$1,362	$1,237
Diagnostics (a)(b)	541	391	1,049	3,480	3,006	3,040
Hospital (c)	157	295	172	1,563	1,522	1,262
Ross	65	85	102	919	935	954
International (a)	309	150	147	2,504	2,140	2,093
Chemical & Agricultural	60	83	94	368	379	343
Total Segments	$1,186	$1,057	$1,613	$10,149	$9,344	$8,929
Other						
Net Sales						

(a) Net sales and operating earnings were unfavorably affected by the relatively stronger U.S. dollar in 1998, 1997 and 1996.
(b) In 1998 and 1996 the Company acquired the common stock of International Murex Technologies Corporation and MediSense, Inc., respectively.
(c) In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc.

	1998	1997	1996
Total Segment Operating Earnings	$3,481	$3,228	$2,958
Corporate and service functions	145	153	118
Benefit plans costs	94	113	92
Net interest expense	104	87	51
Income from TAP Holdings Inc	(266)	(189)	(130)
Net foreign exchange (gain) loss	31	(9)	22
Other expenses, net	132	123	135
Consolidated Earnings Before Taxes	$3,241	$2,950	$2,670
Total Segment Assets	$10,149	$9,344	$8,929
Cash and investments	1,167	890	789
Investment in TAP Holdings Inc.	368	311	185
Prepaid income taxes	847	801	708
All other, net	685	715	515
Total Assets	$13,216	$12,061	$11,126

Note 13 - Segment and Geographic Area Information
(dollars in millions)
(continued)

	Net Sales to External Customers			Long-Term Assets		
	1998	1997	1996	1998	1997	1996
United States.	$ 7,919	$ 7,472	$ 6,786	$ 6,424	$ 5,946	$ 5,583
Japan.	528	586	603	133	121	128
Germany.	446	438	428	186	167	171
Canada	345	329	315	64	44	46
Italy.	328	305	316	106	91	92
All Other Countries. . .	2,912	2,753	2,565	750	654	625
Consolidated	$12,478	$11,883	$11,013	$ 7,663	$ 7,023	$ 6,645

The classes of products which contributed at least 10 percent to consolidated net sales in at least one of the last three years were:

	1998	1997	1996
Anti-Infectives.	$1,415	$1,510	$1,407
Adult Nutritionals . . .	1,257	1,240	1,226
Infant Formula	1,132	1,166	1,153

Note 14 - Litigation and Environmental Matters

The Company is involved in various claims and legal proceedings including numerous 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 individuals and retail pharmacies and name both the Company and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, injunctive and other relief. During 1998, settlements were reached in the federal class action lawsuit, whereby the Company paid $57 million, and thirteen other separate actions. The Company has filed or intends to file a response to each of the remaining complaints denying all substantive allegations.

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 and state remediation laws and is investigating potential contamination at a number of Company-owned locations.

The Company expects that within the next year, legal proceedings will occur which may result in 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.

Abbott Laboratories and Subsidiaries

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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, 1998, 1997, and 1996, and the related consolidated statements of earnings, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Abbott Laboratories and Subsidiaries as of December 31, 1998, 1997, and 1996, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Chicago, Illinois
January 14, 1999

Arthur Andersen LLP

AUDIT COMMITTEE CHAIRMAN'S REPORT

The Audit Committee of the Board of Directors is composed of six non-employee directors. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee held two meetings during 1998. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee discussed with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. During the Audit Committee meetings, the Committee met with the internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

W. Ann Reynolds, Ph.D.
Chairman, Audit Committee

Abbott Laboratories and Subsidiaries

MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management has prepared, and is responsible for, the Company'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.

The Company 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. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies, and procedures.

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

Miles D. White
Chief Executive Officer

Gary P. Coughlan
Senior Vice President, Finance and Chief Financial Officer

Theodore A. Olson
Vice President and Controller

Abbott Laboratories and Subsidiaries

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
(Unaudited)

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS

The Company does not currently use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its debt instruments and investment securities. As of December 31, 1998 and 1997, the Company had $1.7 billion of domestic commercial paper outstanding with an average interest rate of 5.4% and 6.0%, respectively, and with an average remaining life of 9 days and 11 days, respectively. The fair market value of long-term debt at December 31, 1998 and 1997 amounted to $1.4 billion and $946 million, respectively, and consisted primarily of fixed rate (average of 6.1% and 6.3%, respectively) debt with maturities through 2023. As of December 31, 1998 and 1997, the fair market value of current and long-term investment securities maturing through 2023 amounted to $853 million and $654 million, respectively. Approximately 19 percent and 33 percent of these investments as of December 31, 1998 and 1997, respectively, have fixed interest rates (average of 7.1% and 7.5%, respectively), while the remaining investments have variable rates. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values.

MARKET PRICE SENSITIVE FINANCIAL INSTRUMENTS

The Company maintains a portfolio of available-for-sale marketable equity securities from strategic technology acquisitions which are included in deferred charges and other assets. The market value of these investments was approximately $98 million and $83 million, respectively, as of December 31, 1998 and 1997. A hypothetical 20 percent decrease in the share prices of these investments would decrease the fair value by approximately $20 million.

FOREIGN CURRENCY SENSITIVE FINANCIAL INSTRUMENTS --

PURCHASED U.S. DOLLAR CALL OPTIONS

The Company's foreign subsidiaries purchase U.S. dollar call options as a hedge of anticipated intercompany purchases by these foreign subsidiaries whose functional currency, primarily European currencies and Japanese yen, is not the U.S. dollar. At December 31, 1998 and 1997, the Company held $406 million and $461 million, respectively, of these contracts. Unamortized premiums for these contracts amounted to $14 million as of December 31, 1998, which represents the maximum potential loss exposure.

FOREIGN CURRENCY FORWARD EXCHANGE CONTRACTS

The Company 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 hedged. At December 31, 1998 and 1997, the Company held $1.6 billion and $1.3 billion, respectively, of such contracts which all mature in the next calendar year. The following table reflects the contracts outstanding at December 31, 1998 and 1997:

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
(Unaudited)

(dollars in millions)

	1998			1997		
	Contract Amount	Average Exchange Rate	Fair and Carrying Value	Contract Amount	Average Exchange Rate	Fair and Carrying Value
RECEIVE U.S. DOLLARS IN EXCHANGE FOR THE FOLLOWING CURRENCIES:						
German Deutsche Mark	$ 299	1.67	$ 1.9	$ 304	1.75	$ 1.9
Spanish Peseta	172	140.6	4.3	151	146.3	3.0
Japanese Yen	137	120.0	3.2	122	122.8	3.7
Dutch Guilder	133	1.88	2.1	106	1.98	0.5
British Pound	160	0.6	0.3	70	0.6	2.1
Italian Lira	86	1,654	1.1	59	1,713	0.5
French Franc	39	5.6	0.6	33	5.8	0.5
Canadian Dollar	38	1.54	(0.3)	30	1.41	0.1
Australian Dollar	36	1.60	0.0	24	1.44	0.4
Brazilian Real	25	1.30	(0.5)	22	1.04	(0.2)
Taiwan Dollar	30	34.0	(0.6)	18	30.4	1.0
Hong Kong Dollar	3	7.88	0.0	13	7.73	(0.1)
Irish Punt	33	0.67	(0.3)	12	0.67	(0.1)
All other currencies	148	N/A	(1.8)	128	N/A	3.9
	1,339		10.0	1,092		17.2
RECEIVE DUTCH GUILDERS IN EXCHANGE FOR THE FOLLOWING CURRENCIES:						
British Pound	92	0.32	(1.4)	74	0.31	(1.2)
French Franc	28	2.98	0.0	32	2.97	0.0
Swiss Franc	15	0.72	(0.2)	24	0.72	0.0
Portuguese Escudo	32	90.9	0.0	17	91.2	0.0
Irish Punt	19	0.36	0.0	17	0.34	0.0
Japanese Yen	15	62.5	0.3	14	62.1	0.4
Taiwan Dollar	8	17.6	(0.3)	8	15.3	0.5
All other currencies	15	N/A	(0.3)	29	N/A	0.3
	224		(1.9)	215		0.0
All other	8	N/A	(0.6)	5	N/A	0.7
Total	$1,571		$ 7.5	$1,312		$17.9

RESULTS OF OPERATIONS

SALES

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

Total Net Sales	Total % Change	Components of Change %		
		Price	Volume	Exchange
1998 vs. 1997	5.0	0.6	7.2	(2.8)
1997 vs. 1996	7.9	0.5	10.4	(3.0)
1996 vs. 1995	10.0	0.1	11.5	(1.6)
Total Domestic				
1998 vs. 1997	6.0	1.0	5.0	-
1997 vs. 1996	10.0	0.8	9.2	-
1996 vs. 1995	10.8	0.1	10.7	-
Total International				
1998 vs. 1997	3.4	(0.1)	10.7	(7.2)
1997 vs. 1996	4.8	-	12.2	(7.4)
1996 vs. 1995	8.8	0.2	12.4	(3.8)
Pharmaceutical Products Segment				
1998 vs. 1997	5.1	3.8	1.3	-
1997 vs. 1996	20.3	3.4	16.9	-
1996 vs. 1995	27.3	4.9	22.4	-
Diagnostic Products Segment				
1998 vs. 1997	6.8	(2.1)	12.9	(4.0)
1997 vs. 1996	1.6	(0.6)	7.7	(5.5)
1996 vs. 1995	7.1	(1.4)	10.8	(2.3)
Hospital Products Segment				
1998 vs. 1997	11.9	(1.5)	13.4	-
1997 vs. 1996	14.4	(1.8)	16.2	-
1996 vs. 1995	9.1	(2.1)	11.2	-
Ross Products Segment				
1998 vs. 1997	(1.6)	0.9	(2.5)	-
1997 vs. 1996	(2.5)	(0.4)	(2.1)	-
1996 vs. 1995	0.7	(0.3)	1.0	-
International Segment				
1998 vs. 1997	3.1	1.4	9.5	(7.8)
1997 vs. 1996	6.4	0.4	12.8	(6.8)
1996 vs. 1995	8.9	0.6	12.3	(4.0)

Chemical & Agricultural Products Segment				
1998 vs. 1997	6.0	(0.7)	6.7	-
1997 vs. 1996	19.6	0.2	19.4	-
1996 vs. 1995	12.9	1.1	11.8	-

Sales of new products in 1998 are estimated to be $885 million, led by the Diagnostics, International and Hospital products segments. Increases, as disclosed in Note 13, in anti-infectives and infant formula sales in 1996 and 1997 and increases in adult nutritionals in 1996, 1997 and 1998 were primarily due to unit increases. Decreases in anti-infectives and infant formula sales in 1998 were due primarily to unit decreases.

The Company holds patents on Hytrin in the United States and several major markets throughout the world. The Company is facing a number of patent challenges from generic manufacturers in the United States, and the ultimate outcome of this litigation cannot be predicted with certainty. However, the Company does not expect a generic form of Hytrin to become available before the end of the second quarter of 1999. The Company believes generic competition would adversely impact sales of Hytrin. In 1998, the Company recorded U.S. sales of Hytrin of $542 million.

On July 27, 1998, the Company announced that it was experiencing manufacturing difficulties with the capsule formulation of its protease inhibitor Norvir. The manufacturing difficulties with Norvir will result in shortages and interruption of the supply of capsules. The Company is supplying Norvir liquid formulation to provide continued Norvir therapy for patients. In 1998, the Company recorded sales of Norvir of $250 million. The Company is unable to quantify the effect that the production problems will have on sales in future periods.

OPERATING EARNINGS

Gross profit margins (sales less cost of products sold, including freight and distribution expenses) were 56.8 percent of net sales in 1998, 57.5 percent in 1997, and 57.0 percent in 1996. The decrease in the gross profit margin in 1998 was caused by unfavorable product mix, primarily slower sales of pharmaceutical products, and the negative effect of a relatively stronger U.S. dollar. The increases in the gross profit margins in 1997 and 1996 were due primarily to favorable product mix, especially higher sales of pharmaceuticals, price and productivity improvements, partially offset by higher project expenses for new products, higher manufacturing capacity costs for anticipated unit growth, and the effects of inflation and competitive pricing pressures in some product lines. Gross profit margins in 1997 and 1996 were also unfavorably affected by the relatively stronger U.S. dollar. 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 (WIC). There are also similar 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 late 1998, the U.S. Food and Drug Administration (FDA) suspended its approval of the release of production lots of the Company's pharmaceutical product Abbokinase due to Current Good Manufacturing Practice concerns raised by the FDA following inspections of the Company and its raw material supplier. In January 1999, after the Company revised the product's labeling to add additional warnings and the FDA issued a health care provider information sheet, the FDA released certain lots that were under its review. The FDA subsequently established new criteria for the release of additional lots. The Company is instituting changes to its procedures in response to the FDA. The Company cannot predict whether these changes will resolve FDA's concerns or the effect of this matter on future sales of Abbokinase. During 1998, Abbott sold approximately $277 million of Abbokinase, primarily in the United States.

Research and development expense decreased to $1.2 billion in 1998 and represented 9.8 percent of net sales in 1998, compared to 11.0 percent of net sales in 1997, and 10.9 percent of net sales in 1996. The decrease in research and development expenses in 1998 was due, in part, to higher charges in 1997 for the acquisition of certain technologies in conjunction with business acquisitions and strategic alliances. Research and development expenditures continue to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses increased 2.2 percent in 1998, net of the favorable effect of the relatively stronger U.S. dollar of 2.8 percent, compared to increases of 9.2 percent in 1997, and 10.3 percent in 1996. The net increases, exclusive of exchange impact, reflect inflation, additional selling and marketing support for new and existing products, and litigation charges.

INTEREST (INCOME) EXPENSE, NET

Net interest expense increased in 1998, 1997 and 1996 due primarily to a higher level of borrowings as a result of business acquisitions. As a result of the suspension of the common share purchase program, it is expected that the level of borrowings will decrease in 1999.

TAXES ON EARNINGS

The Company's effective income tax rates were 28.0 percent in 1998, 29.0 percent in 1997 and 29.5 percent in 1996. The tax rates for 1998 and 1997 were reduced primarily due to the extension of the research and development tax credit through June 30, 1999. In addition, all three years' tax rates were unfavorably impacted by the reduction in tax incentive grants for Puerto Rico operations.

FINANCIAL CONDITION

CASH FLOW

The Company expects positive cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

DEBT AND CAPITAL

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 $2.5 billion at December 31, 1998. These lines of credit support domestic commercial paper borrowing arrangements.

The Company may issue up to $750 million of senior debt securities in the future under a registration statement filed with the Securities and Exchange Commission in 1998.

During the last three years, the Company purchased 90,897,000 of its common shares at a cost of $2.7 billion. In December 1998, the Company suspended purchases of its common shares and currently has no plans to resume purchases in 1999.

FINANCIAL CONDITION

At December 31, 1998, 1997 and 1996 working capital was $591 million, $4 million and $137 million, respectively. The decrease in working capital in 1997 was partially due to increased short-term commercial paper borrowings which funded long-term asset acquisitions.

CAPITAL EXPENDITURES

Capital expenditures of $991 million in 1998, $1.0 billion in 1997 and $949 million in 1996 were principally for upgrading and expanding manufacturing, research and development 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 continue, with an increased proportion dedicated to the Hospital, International and Diagnostic products segments.

BUSINESS ACQUISITIONS

In 1998, the Company acquired the common stock of International Murex Technologies Corporation, a manufacturer of medical diagnostic products, for approximately $234 million in cash. A substantial portion of the purchase price was allocated to goodwill, which will be amortized on a straight-line basis over 20 years. In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc., for approximately $200 million in cash. A substantial portion of the purchase price was allocated to goodwill, which will be amortized on a straight-line basis over 15 years. In 1996, the Company acquired all of the outstanding shares of MediSense, Inc., a manufacturer of blood glucose self-testing products, for approximately $867 million in cash. Goodwill of approximately $219 million will be amortized on a straight-line basis over 32 years and other intangible assets of $635 million, including trade names, patient base and acquired technology, will be amortized on a straight-line basis over approximately 30 years. Purchased in-process research and development of $37 million was charged against earnings. Had these acquisitions taken place on January 1 of the previous years, consolidated sales and income would not have been significantly different from reported amounts.

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 state level 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.

RECENTLY ISSUED ACCOUNTING STANDARD

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires the recognition of the fair value of derivatives as either assets or liabilities. The statement is effective for fiscal years beginning after June 15, 1999. Adoption of the provisions of this statement will not have a material effect on the financial statements of the Company.

YEAR 2000

The Year 2000 ("Y2K") issue results from the inability of some computer programs to identify the year 2000 properly, potentially leading to errors or system failure.

The Company has organized its efforts to resolve the Y2K issue as follows: internal information systems; landlord and embedded systems; electronic products currently marketed or in the field; and suppliers providing products and services to the Company. Progress goals have been established in each area.

Internal information systems were inventoried and assessed, and remediation started in 1992. Virtually all remediation has been completed. Eighty-one percent of testing has been completed and all testing is scheduled to be completed by mid-1999. Current progress is slightly better than plan.

Landlord and embedded systems were inventoried and Y2K assessment completed by May 1998. The Company's goal is to resolve all critical systems by July 1999. Current progress is better than plan.

The Company has assessed the ability of its medical electronic and software products to cope with the Y2K issue. Except for certain products distributed by Murex, customers may access the Company's assessment on the Company's Web site. For the recently acquired Murex product line, a referral source for customers to contact the manufacturer is provided on the Web site. Most of the Company's products are not affected by the Y2K issue. For those products requiring remediation, the Company's goal is to provide solutions by June 1999. Current progress is according to plan.

Beginning in March 1998, key suppliers were requested to certify that they were Y2K compliant or, if not, to provide their plans to become compliant. Eighty-six percent of suppliers responded; 54 percent of those responding certified compliance currently and 46 percent forwarded action plans. Follow-up with all key suppliers is being conducted according to plan.

Each of the above areas began developing business continuity plans during 1998, and will complete development of those plans by September 30, 1999.

The most likely worst-case Y2K scenarios are subject to a wide range of speculation. However, the business continuity plans will assume Y2K failures are primarily third party, are intermittent, are of relatively short duration, or are localized at one site or region, primarily outside the United States.

The Company's policy is to expense Y2K remediation costs as incurred. Y2K remediation costs from inception through the end of 1999 are expected to approximate $100 million, of which approximately one-third is expected to be spent in 1999.

EURO CONVERSION

On January 1, 1999, the European Economic and Monetary Union took effect and introduced the euro as the official single currency of the eleven participating member countries. On that date the currency exchange rates of the participating countries were fixed against the euro. There will be a three-year transition to the euro, and at the end of 2001, the legacy currencies will be eliminated. In 1997, the Company organized an internal cross-functional task force to address the euro issues and expects to be ready for the full conversion to the euro. Costs required to prepare for the euro are not material to the Company's financial position, results of operations or cash flows. The impact, if any, of the euro on the Company's competitive position is unknown.

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, the Company cautions investors that any forward-looking statements or projections made by the Company, 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 the Company's operations are discussed in Exhibit 99.1 to the Annual Report on Form 10-K.

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA

Year Ended December 31

(dollars in millions except per share data)

		1998	1997	1996	1995	1994
Summary of Operations:						
Net Sales	$	12,477.8	11,883.5	11,013.5	10,012.2	9,156.0
Cost of products sold	$	5,394.4	5,045.7	4,732.0	4,325.8	3,993.8
Research and development	$	1,221.6	1,302.4	1,204.8	1,072.7	963.5
Selling, general and administrative	$	2,743.9	2,685.0	2,459.6	2,230.7	2,054.5
Operating earnings	$	3,117.9	2,850.4	2,617.1	2,382.9	2,144.2
Interest expense	$	159.8	134.6	95.4	69.5	49.7
Interest income	$	(55.7)	(47.7)	(44.5)	(51.8)	(36.9)
Other (income) expense, net	$	(226.8)	(186.3)	(103.4)	(30.2)	(35.3)
Earnings before taxes	$	3,240.6	2,949.9	2,669.6	2,395.3	2,166.7
Taxes on earnings	$	907.4	855.5	787.5	706.6	650.0
Net earnings	$	2,333.2	2,094.5	1,882.0	1,688.7	1,516.7
Basic earnings per common share	$	1.53	1.36	1.20	1.06	.93
Diluted earnings per common share	$	1.51	1.34	1.19	1.05	.92
Financial Position:						
Working capital	$	591.0	3.7	137.2	436.4	400.5
Investment securities maturing after one year	$	783.8	631.0	665.6	422.5	316.2
Net property and equipment	$	4,738.8	4,569.7	4,461.5	4,249.5	3,920.9
Total assets	$	13,216.2	12,061.1	11,125.6	9,412.6	8,523.7
Long-term debt	$	1,339.7	938.0	932.9	435.2	287.1
Shareholders' investment.	$	5,713.7	4,998.7	4,820.2	4,396.8	4,049.4
Return on shareholders' investment	%	43.6	42.7	40.8	40.0	39.3
Book value per share	$	3.77	3.27	3.11	2.79	2.52
Other Statistics:						
Gross profit margin	%	56.8	57.5	57.0	56.8	56.4
Research and development to net sales	%	9.8	11.0	10.9	10.7	10.5
Net cash from operating activities	$	2,732.9	2,628.8	2,382.1	1,965.6	2,212.1
Capital expenditures	$	990.6	1,007.3	949.0	947.0	929.5
Cash dividends declared per common share	$	.60	.54	.48	.42	.38
Common shares outstanding (in thousands)		1,516,063	1,528,188	1,548,898	1,574,614	1,606,560
Number of common shareholders		107,209	102,981	99,513	89,831	86,324
Number of employees		56,236	54,487	52,817	50,241	49,464
Sales per employee (in dollars)	$	221,884	218,097	208,521	199,283	185,105
Market price per share-high	$	50 1/16	34 5/8	28 11/16	22 3/8	17
Market price per share-low	$	32 1/2	24 7/8	19 1/16	15 5/16	12 11/16
Market price per share-close	$	49	32 3/4	25 3/8	20 13/16	16 5/16

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(dollars in millions except per share data)

	1993	1992	1991	1990	1989
Summary of Operations:					
Net Sales	$ 8,407.8	7,851.9	6,876.6	6,158.7	5,379.8
Cost of products sold	$ 3,684.7	3,505.3	3,140.0	2,910.1	2,556.7
Research and development	$ 881.0	772.4	666.3	567.0	501.8
Selling, general and administrative	$ 1,988.2	1,833.2	1,513.3	1,275.6	1,100.2
Operating earnings	$ 1,924.0	1,526.0	1,557.0	1,406.0	1,221.1
Interest expense	$ 54.3	53.0	63.8	91.4	74.4
Interest income	$ (37.8)	(42.3)	(45.1)	(51.6)	(73.8)
Other (income) expense, net	$ (35.7)	48.5	(5.9)	15.5	26.3
Earnings before taxes	$ 1,943.2	1,738.8	1,544.2	1,350.7	1,194.2
Taxes on earnings	$ 544.1	499.7	455.5	384.9	334.4
Net earnings	$ 1,399.1	1,239.1	1,088.7	965.8	859.8
Basic earnings per common share	$ .84	.73	.64	.56	.48
Diluted earnings per common share	$ .84	.73	.63	.55	.47
Financial Position:					
Working capital	$ 490.6	449.2	661.7	460.0	719.2
Investment securities maturing after one year	$ 221.8	270.6	340.2	314.0	300.0
Net property and equipment	$ 3,511.0	3,099.2	2,662.1	2,375.8	2,090.2
Total assets	$ 7,688.6	6,941.2	6,255.3	5,563.2	4,851.6
Long-term debt	$ 306.8	110.0	125.1	134.8	146.7
Shareholders' investment	$ 3,674.9	3,347.6	3,203.0	2,833.6	2,726.4
Return on shareholders' investment	% 39.8	37.8	36.1	34.7	33.1
Book value per share	$ 2.24	2.00	1.88	1.65	1.54
Other Statistics:					
Gross profit margin	% 56.2	55.4	54.3	52.7	52.5
Research and development to net sales	% 10.5	9.8	9.7	9.2	9.3
Net cash from operating activities	$ 1,846.9	1,388.8	1,453.2	1,200.9	959.9
Capital expenditures	$ 952.7	1,007.2	732.8	629.5	501.5
Cash dividends declared per common share	$ .34	.30	.25	.21	.17
Common shares outstanding (in thousands)	1,642,260	1,672,104	1,701,060	1,716,564	1,769,916
Number of common shareholders	82,947	75,703	56,541	49,827	45,361
Number of employees	49,659	48,118	45,694	43,770	40,929
Sales per employee (in dollars)	$ 169,312	163,180	150,492	140,706	131,441
Market price per share-high	$ 15 7/16	17 1/16	17 3/8	11 9/16	8 13/16
Market price per share-low	$ 11 5/16	13 1/16	9 13/16	7 13/16	5 3/4
Market price per share-close	$ 14 13/16	15 3/16	17 3/16	11 1/4	8 1/2

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(dollars in millions except per share data)

		1988
Summary of Operations:		
Net Sales	$	4,937.0
Cost of products sold	$	2,353.2
Research and development	$	454.6
Selling, general and administrative	$	1,027.2
Operating earnings	$	1,102.0
Interest expense	$	85.0
Interest income	$	(69.4)
Other (income) expense, net	$	30.9
Earnings before taxes	$	1,055.5
Taxes on earnings	$	303.5
Net earnings	$	752.0
Basic earnings per common share	$	.42
Diluted earnings per common share	$	.41
Financial Position:		
Working capital	$	913.3
Investment securities maturing after one year	$	285.7
Net property and equipment	$	1,952.6
Total assets	$	4,825.1
Long-term debt	$	349.3
Shareholders' investment	$	2,464.6
Return on shareholders' investment	%	33.0
Book value per share	$	1.37
Other Statistics:		
Gross profit margin	%	52.3
Research and development to net sales	%	9.2
Net cash from operating activities	$	965.4
Capital expenditures	$	521.2
Cash dividends declared per common share	$	.15
Common shares outstanding (in thousands)		1,798,768
Number of common shareholders		46,324
Number of employees		38,751
Sales per employee (in dollars)	$	127,403
Market price per share-high	$	6 9/16
Market price per share-low	$	5 3/8
Market price per share-close	$	6

EXHIBIT

SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of the Company. Abbott Laboratories is not a subsidiary of any other corporation.

Domestic Subsidiaries	State of Incorporation
Abbott Chemicals Plant, 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 Laboratories Inc.	Delaware
Abbott Laboratories International Co.	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal Ltd.	Delaware
CMM Transportation, Inc.	Delaware
Corporate Alliance, Inc.	Delaware
Fuller Research Corporation	Delaware
IMTC Technologies, Inc.	Delaware
Laser Surgery Partnership	Illinois

Medlase Holding Corporation	Delaware
Murex Diagnostics, Inc.	Delaware
North Shore Properties, Inc.	Delaware
Oximetrix de Puerto Rico, Inc.	Delaware
Oximetrix, Inc.	Delaware
Solartek Products, Inc.	Delaware
Sorenson Research Co., Inc.	Utah
Swan-Myers, Incorporated	Indiana
TAP Holdings Inc.	Delaware
TAP Pharmaceuticals Inc.	Delaware
Tobal Products Incorporated	Illinois

Foreign Subsidiaries	Country in Which Organized
Abbott Laboratories Argentina, S.A.	Argentina
Abbott Australasia Pty. Limited	Australia
Abbott Laboratories Executive Superannuation Pty. Limited	Australia
Abbott Laboratories Superannuation Pty. Limited	Australia
MediSense Australia Pty. Ltd.	Australia
Abbott Gesellschaft m.b.H.	Austria
Abbott Hospitals Limited	Bahamas
Abbott Laboratories (Bangladesh) Ltd.	Bangladesh
Abbott, S.A.	Belgium

MediSense Belgium, BVBA	Belgium
Abbott Ireland	Bermuda
Abbott Laboratorios do Brasil Ltda.	Brazil
Abbott Laboratories Limited	Canada
MediSense Canada, Inc.	Canada
Abbott Laboratories de Chile Limitada	Chile
Ningbo Asia-Pacific Biotechnology Ltd.	China, People's Republic of
Shangai Abbott Pharmaceutical Co., Ltd.	China, People's Republic of
Abbott Laboratories de Colombia, S.A.	Colombia
Abbott Laboratories de Cost Rica Ltd.	Costa Rica
Abbott Laboratories s.r.o.	Czech Republic
Abbott Laboratories A/S	Denmark
Abbott Laboratorios del Ecuador, S.A.	Ecuador
Abbott, S.A. de C.V.	El Salvador
Abbott Investments Limited	England
Abbott Laboratories Limited	England
Abbott Laboratories Trustee Company Limited	England
MediSense (U.K.) Ltd.	England
Abbott Oy	Finland
Abbott France S.A.	France
Alcyon Analyzer S. A.	France
MediSense France SARL	France
Abbott G.m.b.H.	Germany
MediSense (Deutschland) GmbH	Germany

Abbott Diagnostics G.m.b.H.	Germany
Abbott Laboratories (Hellas) S.A.	Greece
FAMAR Panos A. Marinopoulos S.A.	Greece
FAMAR Anonymous Industrial Co. of Pharmaceuticals and Cosmetics	Greece
Abbott Grenada Limited	Grenada
Abbott Laboratorios, S.A.	Guatemala
Abbott Laboratories Limited	Hong Kong
Abbott Laboratories (Hungary) Ltd.	Hungary
Abbott Laboratories (India) Limited	India
Abind Healthcare Private Limited	India
P. T. Abbott Indonesia	Indonesia
Abbott Laboratories, Ireland, Limited	Ireland
Abbott Ireland Ltd.	Ireland
Abbott S.p.A.	Italy
Abbott West Indies Limited	Jamaica
Consolidated Laboratories Limited	Jamaica
Abbott Japan K.K.	Japan
Dainabot Co., Ltd.	Japan
MediSense Japan Ltd.	Japan
Abbott Korea Limited	Korea
Abbott Middle East S.A.R.L.	Lebanon
Abbott Laboratories (Malaysia) Sdn. Bhd.	Malaysia

Abbott Laboratories de Mexico, S.A. de C.V.	Mexico
Abbott Laboratories (Mozambique) Limitada	Mozambique
Abbott B.V.	The Netherlands
Abbott Finance B.V.	The Netherlands
Abbott Holdings B.V.	The Netherlands
Abbott Laboratories B.V.	The Netherlands
Edisco B.V.	The Netherlands
MediSense Europe B.V.	The Netherlands
MediSense Netherlands, B.V.	The Netherlands
Abbott Laboratories (N.Z.) Limited	New Zealand
Abbott Laboratories Nigeria Limited	Nigeria
Abbott Laboratories (Pakistan) Limited	Pakistan
Abbott Laboratories, C.A.	Panama
Abbott Overseas, S.A.	Panama
Abbott Laboratorios S.A.	Peru
Abbott Laboratories	Philippines
l02 E. de los Santos Realty Co., Inc.	Philippines
Union-Madison Realty Company, Inc.	Philippines
Abbott Laboratories Sp. z.o.o.	Poland
Abbott Laboratorios, Limitada	Portugal
Abbott Laboratories (Singapore) Private Limited	Singapore
Abbott Laboratories South Africa (Pty.) Limited	South Africa

Abbott Laboratories, S.A.	Spain
Abbott Cientifica, S.A.	Spain
Abbott Scandinavia A.B.	Sweden
MediSense Sverige AB	Sweden
Abbott A.G.	Switzerland
Abbott Laboratories S.A.	Switzerland
Abbott Finance Company S.A.	Switzerland
MediSense AG	Switzerland
Abbott Laboratories Taiwan Limited	Taiwan
Abbott Laboratories Limited	Thailand
Abbott Laboratuarlari Ithalat Ihracat Ve Tecaret Anonim Sirketi	Turkey
Abbott Laboratories Uruguay Limitada	Uruguay
Abbott Laboratories, C.A.	Venezuela
Medicamentos M & R, S.A.	Venezuela

Date: as of January 31, 1999

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of the following into Abbott's previously filed S-8 Registration Statements 33-4368 for the Abbott Laboratories 1986 Incentive Stock Program, 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program, 333-09071, 333-43381 and 333-69547 for the Abbott Laboratories 1996 Incentive Stock Program, 333-13091 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust, and 33-26685, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, and 333-69579 for the Abbott Laboratories Stock Retirement Plan and Trust and into Abbott's previously filed S-3 Registration Statements 33-50253, 333-06155, 333-63481, and 333-65601:

1. Our supplemental report dated January 14, 1999 included in this Annual Report on Form 10-K for the year ended December 31, 1998; and

2. Our report dated January 14, 1999 incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1998.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 9, 1999

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THIS SCHEDULE CONTAINS TWELVE MONTH YEAR-TO-DATE FINANCIAL INFORMATION EXTRACTED FROM ABBOTT LABORATORIES' 1998 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K FILING.

1,000

YEAR	
DEC-31-1998	
JAN-01-1998	
DEC-31-1998	
	308,230
	75,087
	2,141,010
	190,952
	1,410,609
	5,553,136
	9,396,236
	4,657,393
	13,216,213
	4,962,126
	1,339,694
	0
	0
	1,231,079
	4,482,582
	13,216,213
	12,477,845
	12,477,845
	5,394,441
	5,394,441
	1,221,593
	41,441
	159,839
	3,240,599
	907,368
	2,333,231
	0
	0
	0
	2,333,231
	1.53
	1.51

Other expenses consist of research and development expenses.
The EPS information in this exhibit has been prepared in accordance with SFAS No. 128, and Basic and Diluted EPS have been entered in place of Primary and Fully Diluted EPS, respectively.

Exhibit 99.1

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Financial Review, incorporated herein by reference, 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," 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 and from past results.

- Economic factors including changes in the rate of inflation, business conditions, interest rates and foreign currency exchange rates.

- 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 protection, (iv) technological advances and patents obtained by competitors and (v) problems with licensors, suppliers and distributors.

- Difficulties and delays inherent in the development, manufacturing, marketing, or sale of products including: (i) efficacy or safety concerns, (ii) delays in the receipt of or the inability to obtain required approvals, (iii) the suspension or revocation of the authority necessary for manufacture, marketing, or sale, (iv) the imposition of additional or different regulatory requirements, such as those affecting labeling, (v) seizure or recall of products, (vi) the failure to obtain, the imposition of limitations on the use of, or the loss of patent and other intellectual property rights, and (vii) manufacturing or distribution problems.

- Governmental action including: (i) new laws, regulations and judicial decisions related to health care availability, method of delivery and payment for health care products and services, (ii) changes in the Federal Food and Drug Administration and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity, (iii) new laws, regulations and judicial decisions affecting pricing or marketing and (iv) changes in the tax laws relating to Abbott's operations.

- Legal difficulties, including product liability claims, claims asserting antitrust violations, disputes over intellectual property rights (including patents) and environmental matters, any of which could preclude commercialization of products or adversely affect profitability.

- Changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission or the American Institute of Certified Public Accountants.

- Changes in costs or expenses, including variations resulting from changes in product mix, changes in tax rates both in the United States and abroad, the effects of acquisitions, dispositions or other events occurring in connection with evolving business strategies.

No assurance can be made that any expectation, estimate or projection contained in a forward-looking statement can be achieved. 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.