



# Cowen and Company Health Care Conference

**Thomas C. Freyman**  
**Executive VP, Finance and CFO**  
**Abbott**



# Forward-Looking Statement

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Some statements in this presentation may be forward-looking statements for the purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, "Risk Factors," to Abbott's Annual Report on Securities and Exchange Commission Form 10-K for the year ended December 31, 2010, and are incorporated by reference. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments.

# Healthcare Sector: Attractive Macro Growth Drivers

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- Demographics/aging population
- Improving socioeconomics
- Benefits of economic recovery
- Emerging markets growth
- Significant medical opportunities remain
- Innovation/new technologies driving growth

**Macro conditions, historically low valuations, provide significant upside potential**

# Abbott Well Positioned

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- Track record of value creation
- Consistent financial strength and performance
- Diverse mix of growth drivers
  - **Durable Growth Businesses**
    - Established Pharmaceuticals, Nutritionals, Core Diagnostics, Diabetes Care
  - **Innovation-Driven Device Businesses**
    - Vascular, Molecular Diagnostics, Vision Care
  - **Proprietary Pharmaceutical Business**
    - Specialty-focused, biologics leadership
- Geographically diverse, leading emerging market position
- Evolving new product pipeline

**Abbott is built to deliver  
sustainable top-tier EPS growth**

# Abbott's Evolution

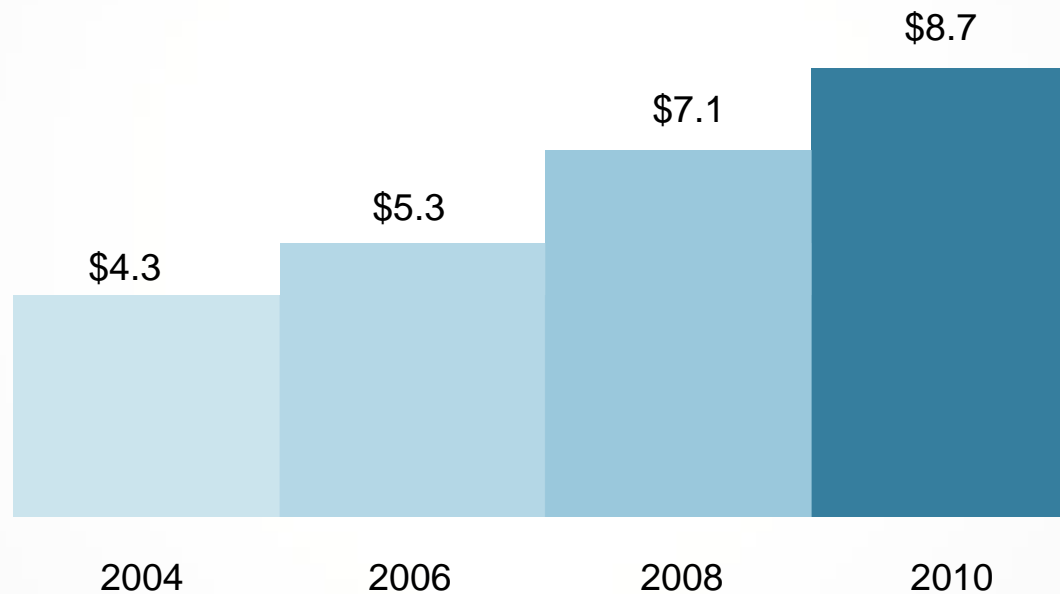
## Strategic Actions Driving Shareholder Value

Strategic Action	Year	Rationale
<b>Knoll acquisition</b>	<b>2001</b>	<ul style="list-style-type: none"> <li>Expanded global footprint; bolstered pipeline with D2E7 (Humira)</li> </ul>
<b>Hospira spin-off</b>	<b>2004</b>	<ul style="list-style-type: none"> <li>Sharpened strategic focus, investment in higher-growth segments</li> </ul>
<b>Guidant acquisition</b>	<b>2006</b>	<ul style="list-style-type: none"> <li>Expanded vascular business, acquired #1 DES (Xience)</li> </ul>
<b>Kos acquisition</b>	<b>2006</b>	<ul style="list-style-type: none"> <li>Expanded lipids portfolio</li> </ul>
<b>Sale of spine business</b>	<b>2008</b>	<ul style="list-style-type: none"> <li>Exited underperforming market, received premium valuation</li> </ul>
<b>AMO, Visiogen acquisitions</b>	<b>2009</b>	<ul style="list-style-type: none"> <li>Entered demographically attractive vision care market</li> </ul>
<b>Solvay/Piramal acquisitions</b>	<b>2010</b>	<ul style="list-style-type: none"> <li>Provided critical mass in emerging markets; #1 position in India</li> </ul>
<b>Creation of EPD</b>	<b>2010</b>	<ul style="list-style-type: none"> <li>Provided focus to maximize portfolio of branded generics</li> </ul>
<b>Facet, Neurocrine, Reata</b>	<b>2010</b>	<ul style="list-style-type: none"> <li>Augmented late-stage pharmaceutical pipeline</li> </ul>

# Financial Strength

## Operating Cash Flow

### Operating Cash Flow (\$BN)



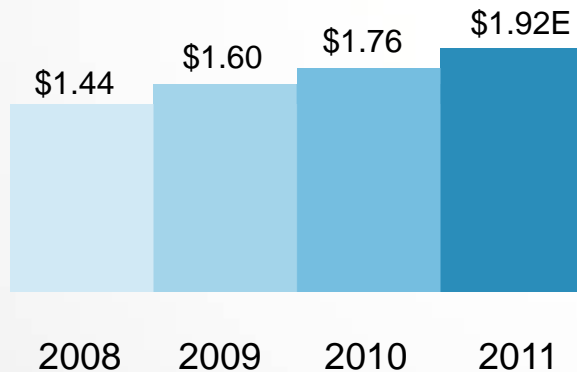
Significant cash flow generation

# Financial Strength

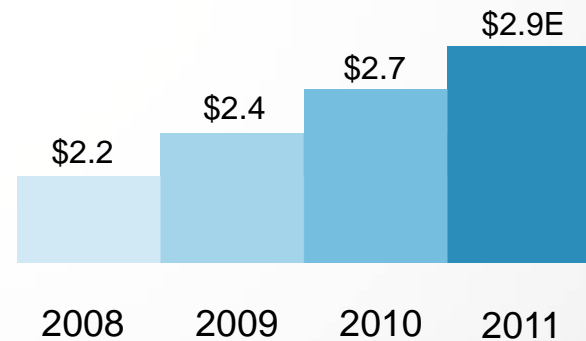
## 39 Years of Increasing Dividends

- 9% dividend increase announced Feb. 2011
- 2011 marks 39th year of increasing dividends
- Current dividend yield: >4%
- Payout ratio: >40%

**Dividends declared**



**Cash returned to shareholders  
in dividends (\$BN)**



# Financial Strength

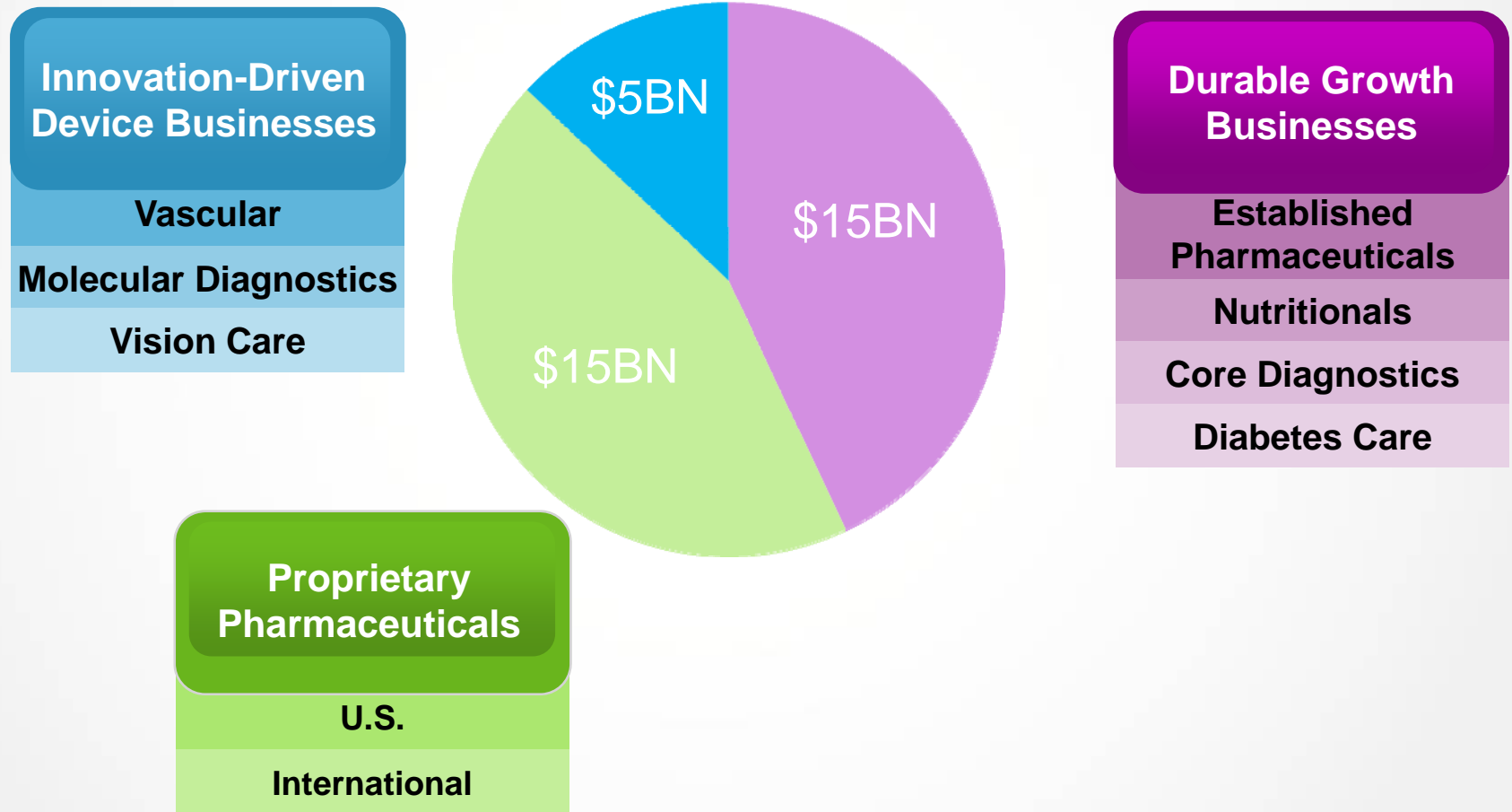
## P&L Leverage Opportunities

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- Sales growth: Mid-to-high single-digit
- Steady gross margin improvement
  - Continued reduction of manufacturing costs
  - Reported gross margin includes ~\$1.6 billion in non-cash amortization
- SG&A leverage
  - Efficiency initiatives
  - Solvay synergy
- Resulting operating margin expansion
  - Steady annual improvement
  - Targeting mid-20s by 2014

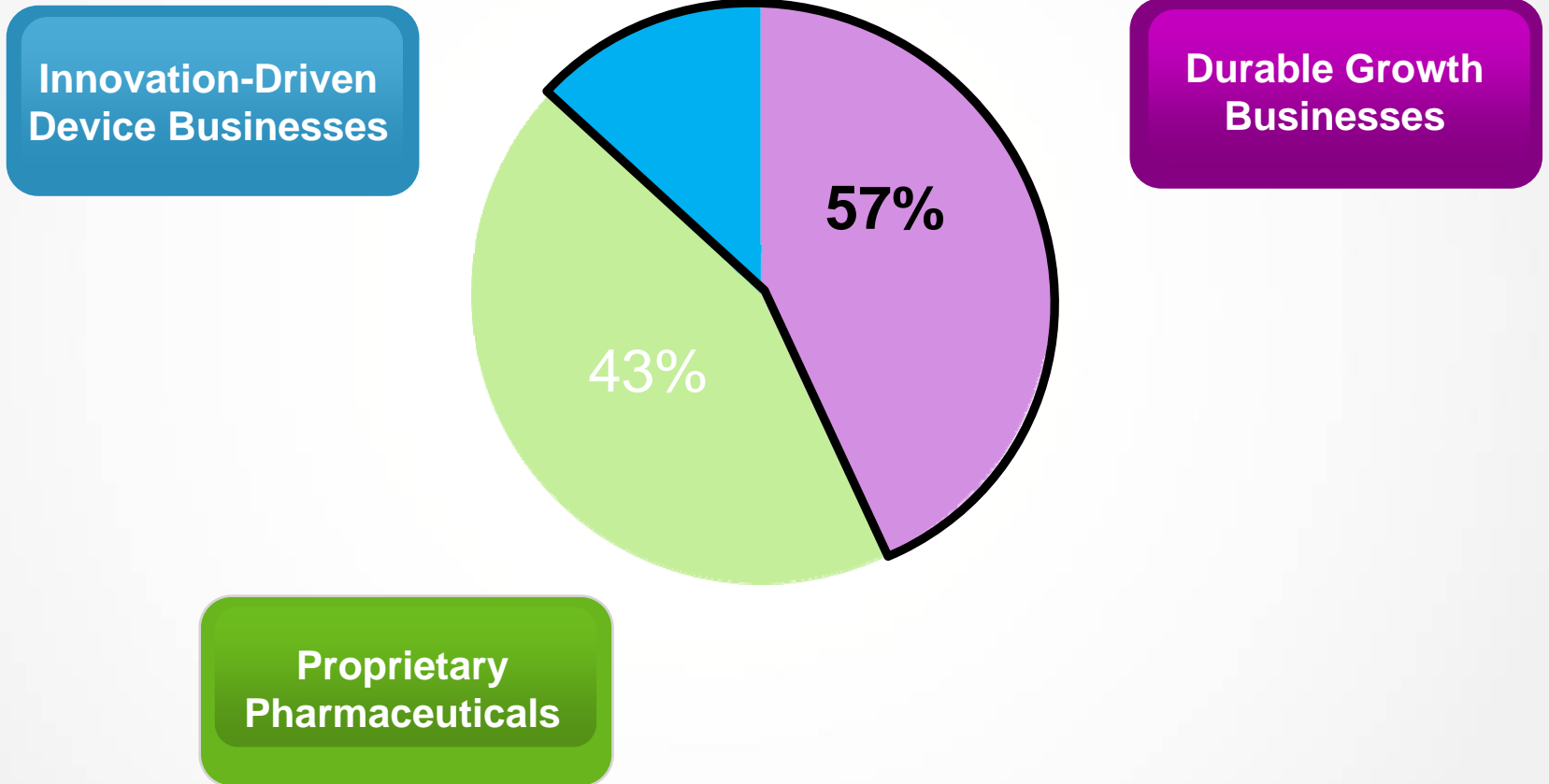
# A Broad-Based Health Care Company

**Total 2010 Abbott Sales: \$35BN**



# A Broad-Based Health Care Company

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# Durable Growth Businesses

## Durable Growth Businesses

Established  
Pharmaceuticals

Nutritionals

Core Diagnostics

Diabetes Care

2010 Sales: \$15BN

### Key Attributes

- Low to moderate R&D investment
- Minimal patent risk
- Stable, market-driven business model
- Performance driven by exceptional execution, product iteration
- Pricing flexibility
- Continued cost reduction opportunities

**Sales growth: high-single-digit**

**Margin expansion: steady improvement**

# Durable Growth Businesses

## Durable Growth Businesses

Established  
Pharmaceuticals

Nutritionals

Core Diagnostics

Diabetes Care

### Established Pharmaceuticals

- Branded generics driving growth in emerging markets
- ~\$5BN in 2011 sales; ~50% in emerging markets
- Sales growth: High-single-digit, double-digit in emerging markets

### Nutritionals

- High return on invested capital, strong cash flow
- >\$2BN emerging market sales in 2011
- Sales growth: High-single-digit globally

### Core Diagnostics

- #1 in blood screening, immunoassay diagnostics
- Strong execution and results in 2010
- Sales growth: Mid-single-digit

### Diabetes Care

- Sales growth and continued margin improvement in 2011
- Improved profitability driven by favorable mix
- Sales growth: Low- to mid-single-digit

# Innovation-Driven Device Businesses

## Innovation-Driven Device Businesses

Vascular

Molecular Diagnostics

Vision Care

2010 Sales: \$5Bn

### Key Attributes

- Moderate level of R&D spend, differentiated product benefits and value
- Resulting pipeline products generate significant revenue and profit contribution
- Lower patent risk
- Growth from long-term demographic trends

**Sales growth:** high-single-digit

**Margin expansion:** steady improvement

# Innovation-Driven Device Businesses

## Innovation-Driven Device Businesses

### Vascular

### Molecular Diagnostics

### Vision Care

#### Vascular

- #1 drug-eluting stent worldwide
- #1 manufacturer of coronary stents, guide wires
- Robust pipeline, geographic expansion to drive growth
- Sales growth: mid- to high-single-digit

#### Molecular Diagnostics

- Molecular market growing at a double-digit pace
- Abbott driving growth through menu expansion, share gains
- New technologies, Plex-ID, restating the market
- Sales growth: strong double-digit

#### Vision Care

- #1 positions in LASIK, #2 in cataract, #3 in contact lens care
- Growth driven by demographics, new products, geographic expansion
- Realistic expectations of economic improvement
- Sales growth: mid- to high-single-digit

# Proprietary Pharmaceuticals

Proprietary  
Pharmaceuticals

2010 Sales: \$15Bn

## Proprietary Pharmaceuticals

- Leading market positions in RA, psoriasis, Crohn's Disease, lipid management, HIV, cystic fibrosis, low testosterone, thyroid disease

- Recently globalized for improved efficiency

- Continued strong growth for Humira

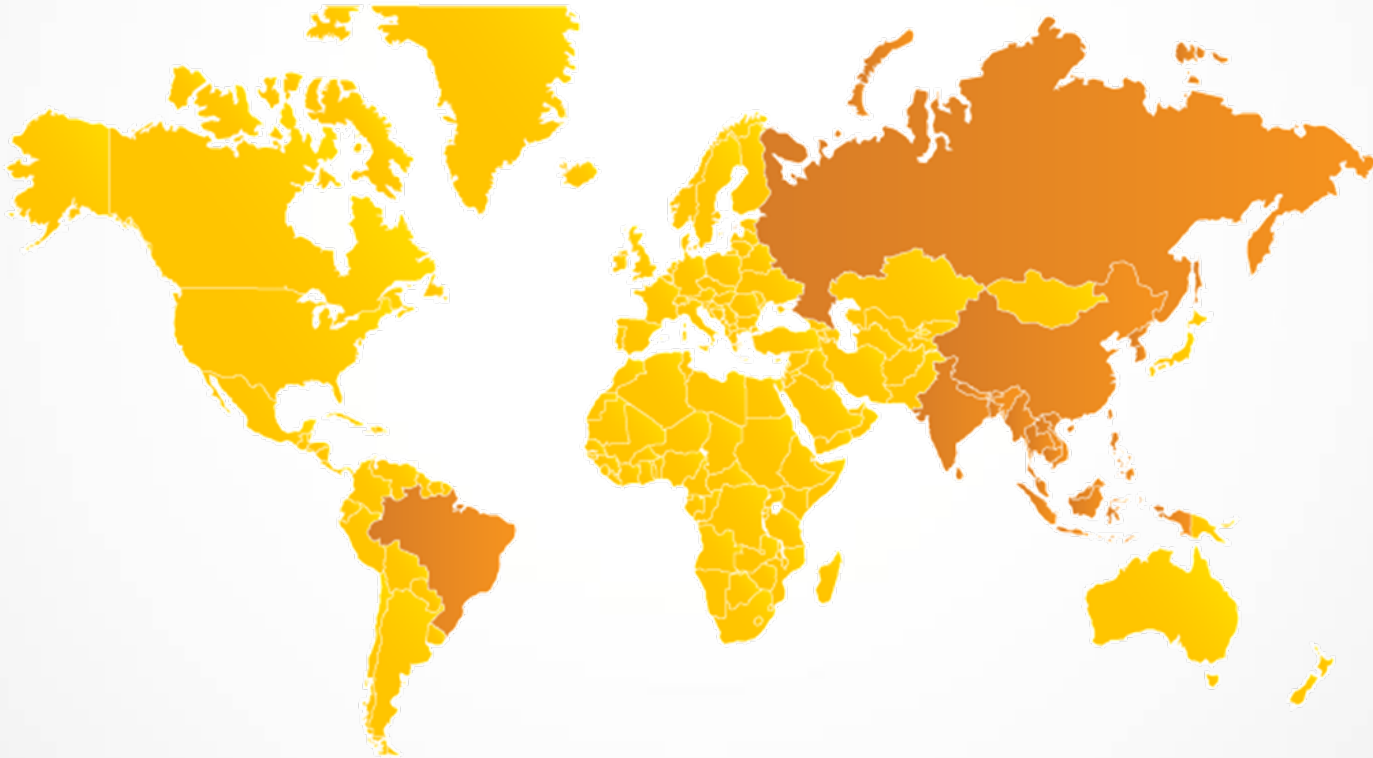
## Pharmaceutical Pipeline Advancing

- ~ 20 NMEs/indications in Phase II or III by YE2011
- Opportunities in significant markets
  - Chronic kidney disease, hepatitis C, cancer, multiple sclerosis

# Emerging Markets: Abbott Well Positioned

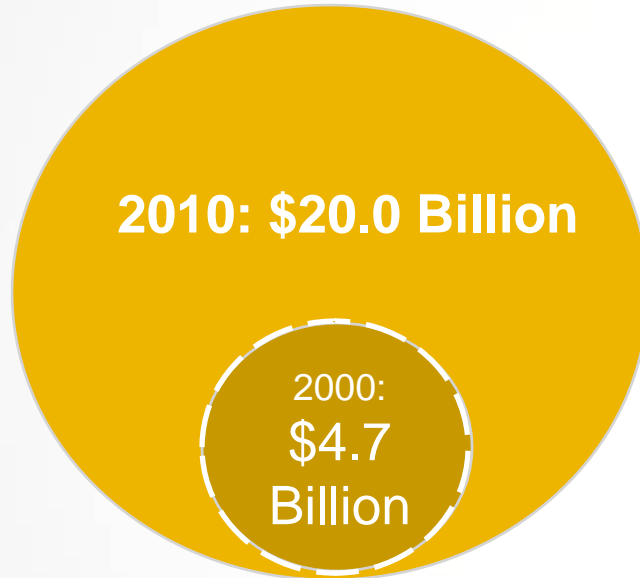
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- Expanding reach in fast-growing emerging markets
- Growing three times the rate of developed markets



# Emerging Markets: Abbott Well Positioned

## International Sales



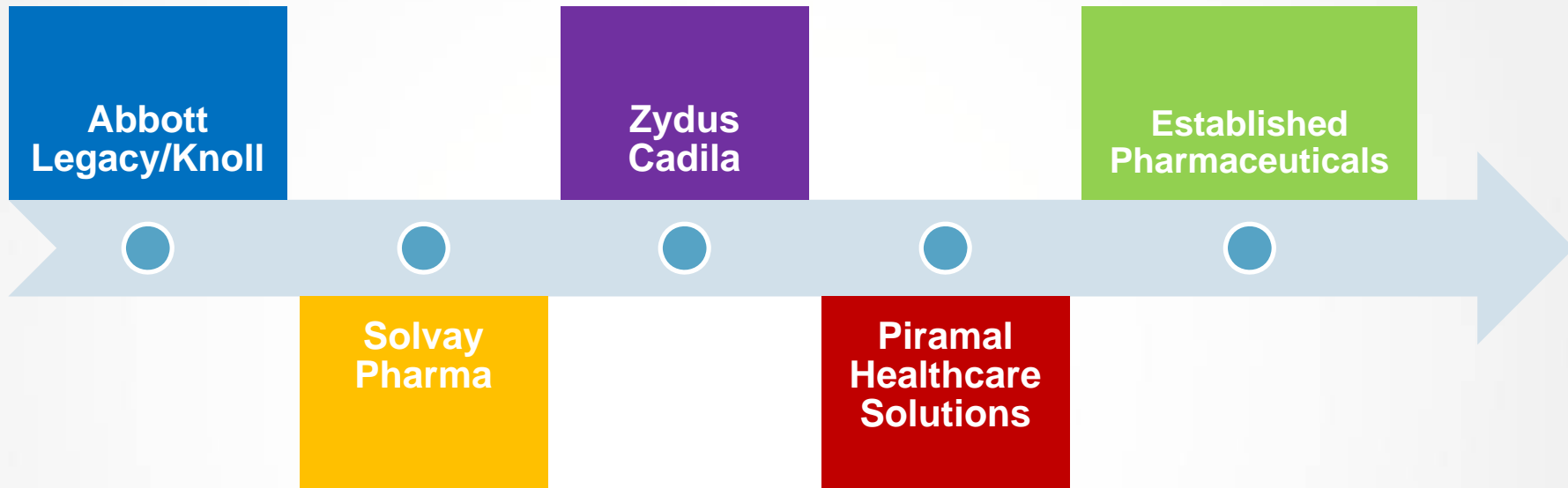
## Emerging Market Sales



## International Presence

- More than quadrupled international sales over past decade
- In 2010, approximately 23% of total sales from emerging markets
  - Growing to >30% in 2014

# Emerging Markets Pharmaceuticals Strategy



Strategic actions provide the right structure and give Abbott critical mass to become one of the largest pharmaceutical companies in key emerging markets

# Emerging Markets

## Nutritionals and Diagnostics Strategy

### Nutrition

- Abbott's second-largest emerging markets business
- Enhanced strategic focus to maximize opportunities around the world

### Diagnostics

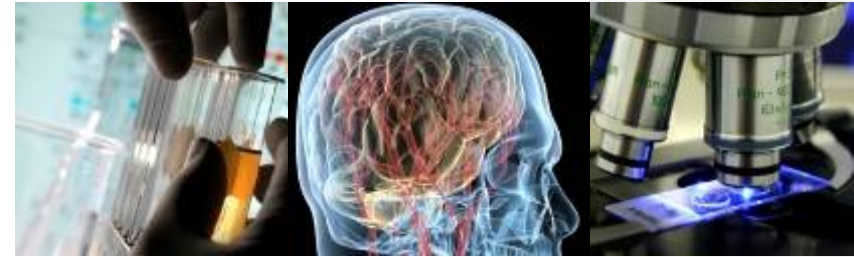
- Capitalizing on rapid expansion of middle class, increase in demand



# Broad-Based Pipeline

## Proprietary Pharmaceuticals

- Oncology
- Immunology
- Neuroscience
- Pain
- HCV
- CKD
- Women's Health



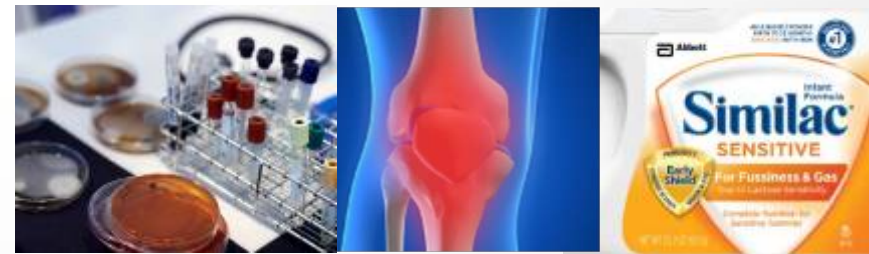
## Innovation-Driven Medical Devices

- Vascular
- Molecular  
Diagnostics
- Vision Care



## Durable Growth Businesses

- Established  
Pharmaceuticals
- Core Diagnostics
- Nutrition
- Diabetes Care



# Future Growth Drivers

## Broad-Based Pipeline: Proprietary Pharmaceuticals

### Therapeutic Area

#### Chronic Kidney Disease

- Two late-stage opportunities with potential to change landscape
- Bardoxolone entering Phase III 1H11; >\$1BN peak opportunity

#### Antiviral (HCV)

- Three mechanisms of action in the clinic: protease, polymerase, NS5A
- >\$1BN peak opportunity

#### Multiple Sclerosis

- Daclizumab in Phase III, potential to provide improved efficacy, safety
- >\$1BN peak opportunity

#### Women's Health

- Compound in development for endometriosis, uterine fibroids
- Elagoix currently in Phase II development

#### Immunology

- Investigating small molecule and biologic approaches
- Proprietary platform that could lead to combo biologics

#### Oncology

- Multiple approaches in development for more than a dozen cancer types
- >\$1BN peak opportunity

# Future Growth Drivers

## Broad-Based Pipeline: Innovation-Driven Devices

### Therapeutic Area

#### Mitral Regurgitation

- Most common structural heart defect; MitraClip panel expected in 2011
- >\$500MN peak opportunity

#### Coronary Artery Disease

- 10 coronary technologies coming to market over the next 5 years
- Xience Nano and Prime, ABSORB; >\$1BN peak opportunity

#### Vision Disorders

- 20 new devices and technology advancements over next 5 years

#### Molecular Diagnostics

- Game-changing technology in development to diagnose disease
- IBIS represents >\$1BN peak opportunity

# Future Growth Drivers

## Broad-Based Pipeline: Durable Growth Businesses

### Therapeutic Area

#### Nutritionals

- Focused on six benefit platforms
- ~20 new products, enhancements to be launched in 2011

#### Established Products

- Rapid iteration of new formulations, other line extensions
- Launching hundreds of new products in key countries over next 5 years

#### Diabetes Care

- Improvements in test strips and glucose monitors

#### Core Diagnostics

- Continued expansion of test menus, next-generation systems

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