FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended June 30, 1994

OR

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

For the transition period from ______________ to ______________________

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

I.R.S. Employer Identification No. 36-0698440

One Abbott Park Road
Abbott Park, Illinois 60064-3500

Telephone: (708) 937-6100

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 ____ .

As of July 31, 1994, the Corporation had 810,578,733 common shares without par value outstanding.

PART 1 FINANCIAL INFORMATION

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(UNAUDITED)

(Dollars in Thousands Except Per Share Data)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	1994	1993	1994	1993
Net Sales.	$2,204,030	$2,073,790	$4,419,278	$4,119,403
Cost of products sold.	946,816	886,988	1,911,088	1,820,163
Research and development	244,989	212,342	471,786	414,452
Selling, general and administrative. . .	468,739	555,213	965,923	1,020,036
Provision for product withdrawal	-	(70,000)	-	(70,000)
Total Operating Cost and Expenses. . .	1,660,544	1,584,543	3,348,797	3,184,651
Operating Earnings	543,486	489,247	1,070,481	934,752
Interest expense	12,253	13,993	23,749	28,163
Interest and dividend income	(8,296)	(9,845)	(16,726)	(19,531)
Other (income) expense, net.	1,593	4,426	2,331	(34,464)
Earnings Before Taxes.	537,936	480,673	1,061,127	960,584
Taxes on earnings.	161,381	134,589	318,338	268,964
Net Earnings	$ 376,555	$ 346,084	$ 742,789	$ 691,620
Net Earnings Per Common Share.	$.46	$.42	$.91	$.83
Cash Dividends Declared Per Common Share	$.19	$.17	$.38	$.34

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

	JUNE 30 1994 (unaudited)	DECEMBER 31 1993
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 180,596	$ 300,676
Investment securities	68,477	78,149
Trade receivables, less allowances of $117,109 in 1994 and $116,925 in 1993	1,433,592	1,336,222
Inventories:		
Finished products	558,829	476,548
Work in process	222,749	216,493
Materials	270,871	247,492
Total Inventories	1,052,449	940,533
Prepaid income taxes	469,005	458,026
Other prepaid expenses and receivables	517,725	471,929
Total Current Assets	3,721,844	3,585,535
Investment Securities Maturing after One Year	272,380	221,815
Property and Equipment, at Cost	6,623,611	6,221,146
Less: accumulated depreciation and amortization	2,938,531	2,710,155
Net Property and Equipment	3,685,080	3,510,991
Deferred Charges and Other Assets	403,632	370,228
	$ 8,082,936	$ 7,688,569
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 745,798	$ 843,594
Trade accounts payable	724,472	638,509
Salaries, dividends payable, and other accruals	1,798,725	1,612,830
Total Current Liabilities	3,268,995	3,094,933
Long-Term Debt	307,275	306,840
Other Liabilities and Deferrals	650,486	611,867
Shareholders' Investment:		
Preferred shares, $1 par value Authorized - 1,000,000 shares, none issued	-	-
Common shares, without par value Authorized - 1,200,000,000 shares Issued at stated capital amount - 1994: 821,973,566 shares; 1993: 830,941,614 shares	492,165	469,828
Earnings employed in the business	3,491,873	3,364,952

Cumulative translation adjustments	(70,612)	(100,716)
	3,913,426	3,734,064
Less:		
Common shares held in treasury, at cost - 1994: 9,804,252 shares; 1993: 9,811,930 shares	51,743	51,783
Unearned compensation - restricted stock awards.	5,503	7,352
Total Shareholders' Investment	3,856,180	3,674,929
	$ 8,082,936	$ 7,688,569

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(Dollars in Thousands)

	SIX MONTHS ENDED JUNE 30	
	1994	1993
Cash Flow From (Used in) Operating Activities:		
Net earnings	$ 742,789	$ 691,620
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization	260,450	251,601
Trade receivables	(92,565)	(105,411)
Inventories	(99,720)	(62,590)
Provision for product withdrawal	-	(70,000)
Other, net	209,034	96,857
Net Cash From Operating Activities	1,019,988	802,077
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(436,959)	(452,894)
Investment securities transactions	(41,123)	(73,327)
Other	16,553	34,025
Net Cash (Used in) Investing Activities	(461,529)	(492,196)
Cash Flow From (Used in) Financing Activities:		
Borrowing transactions	(100,106)	76,952
Common share transactions	(284,281)	(204,430)
Dividends paid	(294,663)	(266,929)
Net Cash (Used in) Financing Activities	(679,050)	(394,407)
Effect of exchange rate changes on cash and cash equivalents	511	(2,528)
Net (Decrease) in Cash and Cash Equivalents	(120,080)	(87,054)
Cash and Cash Equivalents, Beginning of Year	300,676	116,576
Cash and Cash Equivalents, End of Period	$ 180,596	$ 29,522

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

ABBOTT LABORATORIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1994

(UNAUDITED)

NOTE 1 - BASIS OF PREPARATION:

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

NOTE 2 - EARNINGS PER COMMON SHARE:

Earnings per common share amounts are computed by using the weighted average number of common shares outstanding. These shares averaged 816,763,000 for the six months ended June 30, 1994 and 832,840,000 for the same period in 1993.

NOTE 3 - TAXES ON EARNINGS:

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

NOTE 4 - LITIGATION AND ENVIRONMENTAL MATTERS:

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

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

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

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

NOTE 5 - OTHER SIGNIFICANT EVENTS:

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

FINANCIAL REVIEW

RESULTS OF OPERATIONS - SECOND QUARTER AND FIRST SIX MONTHS 1994 COMPARED WITH SAME PERIODS IN 1993

Worldwide sales for the second quarter and first six months increased 6.3 percent and 7.3 percent, respectively, over the comparable 1993 periods. Net earnings increased 8.8 percent and 7.4 percent, respectively, for the second quarter and first six months 1994. Earnings per share increased 9.5 percent and 9.6 percent, respectively, for the second quarter and first six months 1994.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) of 57.0 percent for the second quarter was slightly down from 57.2 percent in the second quarter of 1993 due to product mix. First half gross margin of 56.8 percent was up from 55.8 percent one year ago. The year-to-date increase is primarily due to favorable product mix and productivity improvements.

Research and development expenses were $245.0 million and $471.8 million for the second quarter and first six months 1994, respectively. This represented 11.1 percent and 10.7 percent of net sales, compared to 10.2 percent and 10.1 percent in 1993. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses for the second quarter and first six months 1994 decreased (15.6) percent and (5.3) percent, respectively, over the comparable 1993 periods. The decreases reflect the settlement in May 1993 of certain claims and legal proceedings in connection with the sale and marketing of infant formula products. The Company recorded a pre-tax charge to earnings of approximately $104 million in the second quarter of 1993 in connection with these settlements.

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

Other (income) expense, net, includes net foreign exchange losses of $15.3 million and $27.5 million, respectively, for the second quarter and first six months 1994 compared with net foreign exchange losses of $14.9 million and $19.2 million, respectively, for the corresponding prior year periods. Also included in the first six months of 1993 is the gain on the sale of the Company's peritoneal dialysis product line.

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

FINANCIAL REVIEW
(Continued)

INDUSTRY SEGMENTS

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

Domestic and international sales for the second quarter and first six months 1994 reflect unit growth, and international sales were adversely affected 2.7 percent and 3.5 percent, respectively, due to the relatively stronger U.S. dollar.

	Second Quarter		Six Months	
SEGMENT SALES (in millions of dollars)	1994 Sales	Percent Increase	1994 Sales	Percent Increase
Pharmaceutical and Nutritional Products:				
Domestic	$ 786.0	6.5	$1,631.1	11.1
International	382.8	15.5	762.0	11.4
	1,168.8	9.3	2,393.1	11.2
Hospital and Laboratory Products:				
Domestic	574.7	3.5	1,138.1	3.1
International	460.5	2.7	888.1	2.9
	1,035.2	3.1	2,026.2	3.0
Total All Segments:				
Domestic	1,360.7	5.2	2,769.2	7.7
International	843.3	8.1	1,650.1	6.7
	$2,204.0	6.3	$4,419.3	7.3

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

Net cash from operating activities for the first six months 1994 totaled $1.020 billion. The Company expects annual cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

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

During the first six months 1994, the Company continued its program to purchase its common shares. The Company purchased and retired 10,625,000 shares during this period at a cost of $306 million. As of June 30, 1994, an additional 3,476,000 shares may be purchased in future periods under authorization granted by the Board of Directors in September 1993.

LEGISLATIVE ISSUES

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's 10-Q for the quarter ended March 31, 1994 described 13 antitrust suits and 6 investigations (as of March 31, 1994) regarding the Company's marketing and sale of infant formula products. On May 27, 1994, after a 5-week trial, the federal court in the District of Columbia District found the Company innocent of anticompetitive conduct as charged by the Federal Trade Commission (the "Commission") and dismissed the case that had been brought by the Commission. Seven new antitrust suits regarding the Company's marketing and sale of infant formula products have commenced since March 31,1994: on April 1,1994, a case was filed in state court in Boulder County, Colorado; on April 6, 1994, a case was filed in state court in Blount County, Tennessee (this case has been removed by the defendants to federal court in the Eastern District of Tennessee); on April 26, 1994, a case was filed in state court in St. Clair County, Illinois; on April 26, 1994, a case was filed in state court in Kanwaha County, West Virginia; on April 27, 1994, a case was filed in federal court in the District of Nevada; on May 4, 1994, a case was filed in state court in Hennepin County, Minnesota; and, on May 6, 1994, a case was filed in state court in Holmes County, South Dakota. Each purports to be a state consumer class action; alleges violation of either state antitrust laws, trade practices laws, or both; asks for unspecified actual and/or punitive damages, injunctive relief, and declaratory judgment; and names the Company and certain other infant formula manufacturers as defendants. In June 1994 the Canadian Bureau of Competition Policy broadened its previously reported civil investigation to include a criminal inquiry of the infant formula industry's marketing practices. The Company intends to defend itself in these suits and investigations and to deny all substantive allegations. As of June 30, 1994, there are 19 antitrust suits and 6 investigations pending in connection with the Company's sale and marketing of infant formula products.

The Company's 10-Q for the quarter ended March 31, 1994 described 16 antitrust suits (as of March 31, 1994) regarding the pricing of prescription pharmaceuticals. Three additional lawsuits were filed after March 31, 1994: on April 29, 1994, a case was filed in state court in Bullock County, Alabama (this case has been removed by the defendants to federal court in the Middle District of Alabama); on May 2, 1994, a case was filed in state court in Greene County, Alabama; and on May 31, 1994, a case was filed in federal court in the Southern District of Alabama. The first two of these cases purport to be statewide class actions on behalf of Alabama retail pharmacies. The third is brought by an individual pharmacy. The plaintiffs seek unspecified treble damages, attorneys' fees, and declaratory and injunctive relief and have named the Company and numerous other pharmaceutical manufacturers and wholesalers as defendants. As of June 30, 1994, the Company has been named as a defendant in 19 pending antitrust suits regarding the pricing of prescription pharmaceuticals. The Company intends to defend itself in these suits and to deny all substantive allegations.

The Company's 1993 10-K disclosed that the Company is participating as one of many potentially responsible parties in investigation and/or remediation at eight locations in the United States and Puerto Rico under the Comprehensive Environmental Response, Compensation, and Liability Act commonly known as Superfund. The Company is now also participating in an investigation and clean-up at a ninth location.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

11 Statement re: computation of per share earnings.

12 Statement re: computation of ratio of earnings to fixed charges.

b) REPORTS ON FORM 8-K

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

SIGNATURE

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

ABBOTT LABORATORIES

Date: August 12, 1994

/s/ Theodore A. Olson

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

EXHIBIT 11

ABBOTT LABORATORIES AND SUBSIDIARIES

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

	SIX MONTHS ENDED JUNE 30	
	1994	1993
1. Net earnings	$ 742.8	$ 691.6
2. Average number of shares outstanding	816.8	832.8
3. Earnings per share based upon average outstanding shares (1 DIVIDED BY 2)	$ .91	$ .83
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	18.4	19.4
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	$ 321.9	$ 297.8
c. Market price of the Company's common stock at quarter-end	$ 29.00	$ 25.625
d. Shares which could be repurchased under the treasury stock method (4.b. DIVIDED BY 4.c.)	11.1	11.6
e. Addition to average outstanding shares (4.a. - 4.d.)	7.3	7.8
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	824.1	840.6
g. Fully diluted earnings per share (1. DIVIDED BY 4.f.)	$ .90	$ .82

EXHIBIT 12

ABBOTT LABORATORIES AND SUBSIDIARIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars)

	SIX MONTHS ENDED JUNE 30 1994
Net Earnings	$ 743
Add (deduct):	
Income taxes	318
Capitalized interest cost, net of amortization	(4)
Minority interest	5
Net earnings as adjusted	$ 1,062
Fixed Charges:	
Interest on long-term and short-term debt	24
Capitalized interest cost	9
Rental expense representative of an interest factor	12
Total Fixed Charges	45
Total adjusted earnings available for payment of fixed charges	$ 1,107
Ratio of earnings to fixed charges	24.6

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.