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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, 1997 COMMISSION FILE NUMBER 1-2189

ABBOTT LABORATORIES

AN ILLINOIS CORPORATION	36-0698440 (I.R.S. employer identification number)
100 ABBOTT PARK ROAD ABBOTT PARK, ILLINOIS 60064-3500	(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 704,362,489 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 30, 1998, WAS APPROXIMATELY $49,877,668,752. THE COMPANY HAS NO NON-VOTING COMMON EQUITY.

NUMBER OF COMMON SHARES OUTSTANDING AS OF JANUARY 31, 1998: 764,456,112.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE ABBOTT LABORATORIES ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1997 ARE INCORPORATED BY REFERENCE INTO PARTS I, II, AND IV.

PORTIONS OF THE 1998 ABBOTT LABORATORIES PROXY STATEMENT ARE INCORPORATED BY REFERENCE INTO PART III.

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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Abbott Laboratories is an Illinois corporation, incorporated in 1900. The Company'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 "Industry Segment and Geographic Area Information" of the Consolidated Financial Statements in the Abbott Laboratories Annual Report for the year ended December 31, 1997 (1997 Annual Report), filed as an exhibit to this report. Also incorporated herein by reference are the text and table of sales by class of similar products included in the section of the 1997 Annual Report captioned "Financial Review."

NARRATIVE DESCRIPTION OF BUSINESS

PHARMACEUTICAL AND NUTRITIONAL PRODUCTS

Included in this segment is a broad line of adult and pediatric pharmaceuticals and nutritionals. These products are sold primarily on the prescription or recommendation of physicians or other health care professionals. The segment also includes agricultural and chemical products, bulk pharmaceuticals, and consumer products.

Principal pharmaceutical and nutritional products include the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin-Registered Trademark- and outside the United States primarily under the trademark Klacid-Registered Trademark-, and 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; agents for the treatment of epilepsy and bipolar disorder, including Depakote-Registered Trademark- and Gabitril-TM-; a broad line of cardiovascular products, including Loftyl-Registered Trademark-, a vasoactive agent sold outside the United States; Hytrin-Registered Trademark-, used as an anti-hypertensive and for the treatment of benign prostatic hyperplasia; Abbokinase-Registered Trademark-, a thrombolytic drug; Survanta-Registered Trademark-, a bovine-derived lung surfactant; various forms of prepared infant formula, including Similac-Registered Trademark-, Isomil-Registered Trademark-, Alimentum-Registered Trademark-, and Similac NeoCare-Registered Trademark-; and other medical and pediatric nutritionals, 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-, Pulmocare-Registered Trademark-, and Gain-Registered Trademark-. 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. Agricultural and animal health products include plant growth regulators, including ProGibb-Registered Trademark- and ReTain-TM-; herbicides; larvicides, including VectoBac-Registered Trademark-; biologically derived insecticides, including DiPel-Registered Trademark- and XenTari-Registered Trademark-; anti-infectives, including Saraflox-Registered Trademark- and Sarafin-Registered Trademark- and medical surgical products, including Isoflo-Registered Trademark- and Lifecare-Registered Trademark-.

Pharmaceutical and nutritional products are generally sold directly to retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Company-owned distribution centers or public warehouses. Certain products are co-marketed with other companies. In

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* As used throughout the text of this report on Form 10-K, the term "Company" refers to Abbott Laboratories, an Illinois corporation, or Abbott Laboratories and its consolidated subsidiaries, as the context requires.

certain countries overseas, some of these products are marketed and distributed through distributors. Primary marketing efforts for pharmaceutical and nutritional products are directed toward securing the prescription or recommendation of the Company's brand of products by physicians or other health care professionals. In the United States, managed care purchasers, for example, health maintenance organizations (HMOs) and pharmacy benefit managers, are becoming increasingly important customers. Competition is generally from other broad line and specialized health care manufacturers. 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.

Consumer 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, scientific innovation, price, and availability of generic product forms.

Agricultural, animal health and bulk pharmaceutical products are generally sold to agricultural distributors, growers, companion animal health product distributors, veterinarians and pharmaceutical companies. 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.

The Company is the leading worldwide producer of the antibiotic erythromycin. Ensure-Registered Trademark- is the leading medical nutritional worldwide. Similac-Registered Trademark- is a leading infant formula in the United States.

Under an agreement between the Company and Takeda Chemical Industries, Ltd. of Japan (Takeda), TAP Holdings Inc., (owned 50 percent by the Company and 50 percent by Takeda) together with its subsidiary, TAP Pharmaceuticals Inc. (TAP), develops and markets 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 for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty, and for preoperative treatment of patients with anemia caused by uterine fibroids. TAP also markets Prevacid-Registered Trademark- (lansoprazole), a proton pump inhibitor, and has a co-promotion arrangement with the Company for Prevacid-Registered Trademark-. Prevacid-Registered Trademark- is indicated for short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis. It is also indicated for the eradication of H. pylori to reduce the risk of duodenal ulcer recurrence, for long-term treatment of Zollinger-Ellison syndrome, and the maintenance of healed erosive esophagitis and duodenal ulcers. The Company also has marketing rights to certain Takeda products in select Latin American markets. The Company 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.

HOSPITAL AND LABORATORY PRODUCTS

Hospital and laboratory products include diagnostic systems for blood banks, hospitals, commercial laboratories, alternate-care testing sites, and consumers; intravenous and irrigation fluids and related administration equipment, including electronic drug delivery systems; drugs and drug delivery systems; anesthetics; pain management products; critical care products; diagnostic imaging products; and other medical specialty products for hospitals and alternate-care sites. In the second quarter of 1997, the Company acquired certain parenteral products businesses from Sanofi Pharmaceuticals, Inc., including the worldwide rights to Sanofi's proprietary Carpuject-Registered Trademark- drug delivery system, a pre-filled, single-dose syringe technology.

The principal products included in this segment are parenteral (intravenous or I.V.) 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 (PCA) systems; venipuncture products; hospital injectables including Carpuject-Registered Trademark- and FirstChoice-Registered Trademark- generics; premixed I.V. 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-, sevoflurane (sold in the United States and a few other markets as Ultane-Registered Trademark- and outside of the United States primarily under the trademark Sevorane-Registered Trademark-), isoflurane and enflurane; Calcijex-Registered Trademark-, an injectable agent for treatment of bone disease in hemodialysis patients; critical care products including Opticath-Registered Trademark- and OptiQue-TM- advanced sensor catheters, Transpac-Registered Trademark- for hemodynamic monitoring, and specialty cardiac products; Faultless-Registered Trademark- rubber sundry products; diagnostic imaging products used in MRI (magnetic resonance imaging) and CT (computed tomography) imaging; screening tests for hepatitis B, HTLV-I/II, hepatitis B core, and hepatitis C; tests for detection of AIDS antibodies and antigens, and other infectious disease detection systems; tests for determining levels of abused drugs with the ADx-Registered Trademark- instrument; 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 Spectrum-Registered Trademark- EPx-Registered Trademark-, Abbott Spectrum-Registered Trademark- CCx-TM-, Abbott Alycon-TM-, and Quantum-TM-; AxSYM-Registered Trademark-, Commander-Registered Trademark-, IMx-Registered Trademark-, and Abbott Prism-Registered Trademark- lines of diagnostic instruments and chemical reagents used with immunoassay diagnostics; the LCx-Registered Trademark- amplified DNA probe system and reagents; Abbott Vision-Registered Trademark-, a desk-top blood analyzer; the Abbott TestPack-Registered Trademark- system for diagnostic testing; a full line of hematology systems and reagents known as the Cell-Dyn-Registered Trademark- series; the MediSense 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.

The Company markets hospital and laboratory products in the United States and many other countries. These products are generally distributed to wholesalers and directly to hospitals, laboratories, and physicians' offices from distribution centers maintained by the Company. Sales in the home infusion services market are also made directly to patients receiving treatment outside the hospital through marketing arrangements with hospitals and other health care providers. Overseas 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.

The hospital and laboratory products industry segment is highly competitive, both in the United States and overseas. This segment is 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. Products in this segment can be subject to rapid product obsolescence. The Company has benefitted from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

The Company is one of the leading domestic manufacturers of I.V. and irrigating solutions and related administration equipment, parenteral nutritional products, anesthesia products, and drug delivery systems. It is also the worldwide leader in in vitro diagnostic products, including thyroid tests, therapeutic drug monitoring, cancer monitoring tests, diagnostic tests for the detection of hepatitis and AIDS antibodies, and immunodiagnostic instruments.

INFORMATION WITH RESPECT TO THE COMPANY'S BUSINESS IN GENERAL

SOURCES AND AVAILABILITY OF RAW MATERIALS

The Company purchases, in the ordinary course of business, necessary raw materials and supplies essential to the Company's operations from numerous suppliers in the United States and overseas. There have been no recent availability problems or significant supply shortages.

PATENTS, TRADEMARKS, AND LICENSES

The Company is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for the Company's products in the United States and all countries of major marketing interest to the Company. The Company 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, 2 and 3. These, and various patents which expire during the period 1998 to 2018, in the aggregate, are believed to be of material importance in the operation of the Company's business. The Company 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 the Company'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 products for the Company's Pharmaceutical and Nutritional Products segment. The United States patents covering Depakote-Registered Trademark- will expire in 2008. In the United States, the original compound patent covering Hytrin-Registered Trademark- has expired. The Company has other patents in the United States covering certain forms of Hytrin-Registered Trademark- which expire during the period 2000 to 2013. Litigation involving the Company's patents covering Depakote-Registered Trademark- and Hytrin-Registered Trademark- is discussed in Legal Proceedings on pages 9 and 10.

SEASONAL ASPECTS, CUSTOMERS, BACKLOG, AND RENEGOTIATION

There are no significant seasonal aspects to the Company'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 the Company's anti-infective products. Orders for the Company's products are generally filled on a current basis, and order backlog is not material to the Company's business. No single customer accounted for sales equaling 10 percent or more of the Company's consolidated net sales. No material portion of the Company's business is subject to renegotiation of profits or termination of contracts at the election of the government.

RESEARCH AND DEVELOPMENT

The Company spent $1,302,403,000 in 1997, $1,204,841,000 in 1996, and $1,072,745,000 in 1995 on research to discover and develop new products and processes and to improve existing products and processes. The Company continues to concentrate research expenditures in pharmaceutical and diagnostic products.

ENVIRONMENTAL MATTERS

The Company 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. The Company's capital and operating expenditures for pollution control in 1997 were approximately $25 million and $44 million, respectively. Capital and operating expenditures for pollution control are estimated to approximate $23 million and $49 million, respectively, in 1998.

The Company has been identified as one of many potentially responsible parties in investigations and/ or remediations at 18 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, the Company believes that the actual costs will be lower than these estimates, and the fraction for which the Company may be responsible is anticipated to be considerably less and will be paid out over a number of years. The

Company may participate in the investigation or cleanup at these sites. The Company is also voluntarily investigating potential contamination at two Company-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, the Company 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 the Company's financial position, cash flows, or results of operations.

EMPLOYEES

The Company employed 54,487 persons as of December 31, 1997.

REGULATION

The development, manufacture, sale, and distribution of the Company'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 the seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions.

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 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. 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 Federal Food and Drug Administration (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.

The Company expects debate to continue during 1998 at both the federal and the 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. 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. The Company 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 the Company or the health care industry in general might be affected by the matters discussed above.

INTERNATIONAL OPERATIONS

The Company 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

The Company's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-3500. The locations of the Company's principal plants are listed below.

LOCATION	INDUSTRY SEGMENTS OF PRODUCTS PRODUCED
Abbott Park, Illinois	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Abingdon, England	Hospital and Laboratory Products
Altavista, Virginia	Pharmaceutical and Nutritional Products
Ashland, Ohio	Hospital and Laboratory Products
Austin, Texas	Hospital and Laboratory Products
Barceloneta, Puerto Rico	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Bedford, Massachusetts	Hospital and Laboratory Products
Campoverde, Italy	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Casa Grande, Arizona	Pharmaceutical and Nutritional Products
Columbus, Ohio	Pharmaceutical and Nutritional Products
Delkenheim, Germany	Hospital and Laboratory Products
Irving, Texas	Hospital and Laboratory Products
Laurinburg, North Carolina	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
McPherson, Kansas	Hospital and Laboratory Products
Mexico City, Mexico	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Montreal, Canada	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Morgan Hill, California	Hospital and Laboratory Products
North Chicago, Illinois	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Queenborough, England	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Rocky Mount, North Carolina	Hospital and Laboratory Products
Salt Lake City, Utah	Hospital and Laboratory Products
Santa Clara, California	Hospital and Laboratory Products
Santo Domingo, Dominican Republic	Hospital and Laboratory Products
Sligo/Donegal/Cootehill/Finisklin, Ireland	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Sturgis, Michigan	Pharmaceutical and Nutritional Products
St. Remy, France	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Tokyo, Japan	Hospital and Laboratory Products
Zwolle, The Netherlands	Pharmaceutical and Nutritional Products

In addition to the above, the Company has manufacturing facilities in five other locations in the United States, including Puerto Rico. Overseas manufacturing facilities are located in 13 other countries. The Company's facilities are deemed suitable, provide adequate productive capacity, and are utilized at normal and acceptable levels.

In the United States, including Puerto Rico, the Company owns 11 distribution centers. The Company also has 13 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; North Chicago, Illinois; Santa Clara, California; and San Diego, California. Overseas, the Company has research and development facilities in Argentina, Australia, Canada, France, Germany, Ireland, Italy, Japan, The Netherlands, Spain and the United Kingdom.

The corporate offices, and those principal plants in the United States that are listed above, are owned by the Company or subsidiaries of the Company. The remaining manufacturing plants and all other facilities are owned or leased by the Company or subsidiaries of the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various claims and legal proceedings, including (as of January 31, 1998) two antitrust suits and five investigations in connection with the Company's sale and marketing of infant formula products, 148 antitrust suits and two investigations in connection with the Company's pricing of prescription pharmaceuticals, two cases involving the Company's patents for divalproex sodium, a drug that the Company sells under the trademark Depakote-Registered Trademark-, and five cases involving the Company's patents for terazosin hydrochloride, a drug that the Company sells under the trademark Hytrin-Registered Trademark-.

The infant formula antitrust suits allege that the Company 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 the Company and certain other infant formula manufacturers as defendants. The cases seek 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. In 1997, a case was filed in state court in St. Louis, Missouri. It purports to be a statewide consumer class action. The Company has filed a motion to dismiss. A decision is pending. On December 1, 1997, the court granted final approval to the settlement of the infant formula case pending in United States District Court in Massachusetts. The Company paid one and one-half million dollars under that settlement. Investigations are being conducted by the Attorneys General of the states of California, Connecticut, New York, Pennsylvania, and Wisconsin.

As of January 31, 1998, 124 prescription pharmaceutical pricing antitrust cases were pending in federal court, 23 were pending in state courts, and one was pending in a District of Columbia court. 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 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 and injunctive and other relief. The Company has filed or intends to file a response to each of the complaints denying all substantive allegations. The state cases are pending in the following state courts: Tuscaloosa County, Alabama; Yavapai County, Arizona; Alameda County, California; Monterey County, California; San Francisco County, California (eight cases); San Joaquin County, California; Cumberland County, Maine; Oakland County, Michigan; Prentiss County, Mississippi; Hennepin County, Minnesota (three cases); Mecklenburg County, North Carolina; and Dane County and Washington County, Wisconsin. A case is also pending in

the Superior Court for the District of Columbia. The case which was pending in New York County, New York, has been dismissed and is now on appeal. The case that was pending in King County, Washington, was dismissed. In January 1998, that dismissal became final. Motions for certification as a consumer class action were denied in Maine, Michigan, and Minnesota. Appeals of the consumer class certification decisions are pending in Maine and Michigan. Trial in the individual consumer case pending in Michigan is scheduled for July 1998. Abbott has entered into a settlement agreement to settle the retail pharmacy lawsuits in Wisconsin and Minnesota. The settlement agreement in Minnesota was approved on December 30, 1997. The cases pending in Greene County, Alabama; Dade County, Florida; Johnson County, Kansas; and Davidson County, Tennessee, were removed to the United States District Court for the Northern District of Illinois. The plaintiffs challenged the removal orders. In August 1997, the Court of Appeals reversed the Alabama removal and remanded the case to state court. The federal jurisdictional issues in the Alabama, Florida, Kansas, and Tennessee cases are now being considered by the United States District Court for the Northern District of Illinois. The manufacturer defendants have filed a petition for certiorari with the United States Supreme Court seeking a reversal of the Court of Appeals jurisdictional decision in the Alabama case. 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. One of the cases which is pending in the MDL 997 litigation has been certified as a class action on behalf of certain retail pharmacies. A number of appeals to the Seventh Circuit Court of Appeals were filed arising out of the MDL 997 litigation. The Company has previously reported that these appeals were decided in August 1997. The wholesaler defendants and the manufacturer defendants filed petitions for certiorari to the United States Supreme Court on January 6, 1998. The wholesalers' petition seeks a reversal of the Court of Appeals decision denying summary judgment in the wholesalers' favor. The manufacturers' petition seeks to reverse the Court of Appeals ruling that indirect purchasers of prescription drugs may recover alleged overcharges in those cases in which the intermediary purchaser (in this case, the wholesaler) is also alleged to be part of the conspiracy. The federal retail pharmacy class action trial is scheduled to begin in September 1998. The investigations are being conducted by the Attorney General of Illinois and the Federal Trade Commission.

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, a drug that the Company sells under the trademark Depakote-Registered Trademark-, the Company 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 the Company's patents and that, in any event, the patents are invalid and unenforceable. The Company is involved in one other proceeding involving the Company's patents for divalproex sodium. 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, the Company sued Alra in the United States District Court for the Northern District of Illinois alleging patent infringement. Alra filed counterclaims alleging that the Company fraudulently delayed Alra's entry into the market for divalproex sodium and seeking money damages. Alra contended that its product did not infringe the Company'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. The Company filed a motion for summary judgment on the issue of infringement. On October 20, 1997, the court granted the Company's motion for summary judgment and found that Alra's product infringes the Company'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, 1998, five cases involving the Company's patents for terazosin hydrochloride, a drug that the Company sells under the trademark Hytrin-Registered Trademark-, were pending in federal court in the United States. The Company has been separately notified first by Geneva Pharmaceuticals, Inc. ("Geneva") in April 1996, and then by Novopharm Limited ("Novopharm"), Invamed, Inc. ("Invamed") and Mylan

Pharmaceuticals, Inc. ("Mylan") that these corporations had applied to the Federal Food and Drug Administration for approval for a generic version of terazosin hydrochloride. The Company sued each of these corporations in the United States District Court for the Northern District of Illinois 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, and on October 28, 1997, against Invamed. These corporations contend that the Company's patent which covers their version of terazosin hydrochloride is invalid and unenforceable. Geneva and Novopharm have filed motions for summary judgment on the issue of validity. Additionally, in April 1996, Zenith Laboratories, Inc. ("Zenith") sued the Company in the United States District Court for the District of New Jersey alleging that the Company has engaged in unfair competition, abuse of process, tortious interference with prospective economic advantage, and fraud in attempting to protect Hytrin from generic competition. Zenith seeks money damages and a declaration that certain of the Company's patents covering terazosin hydrochloride are invalid. The Company filed counterclaims alleging patent infringement. Trial in the Zenith case is scheduled to begin in May 1998.

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 the Company'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 the Company 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 the Company.

Current corporate officers, and their ages as of March 1, 1998, are listed below. The officers' principal occupations and employment from January 1993 to March 1, 1998 and the dates of their first election as officers of the Company are also shown. Unless otherwise stated, employment was by the Company for the period indicated. There are no family relationships between any corporate officers or directors.

DUANE L. BURNHAM**, 56

1993 to present -- Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer -- 1982.

THOMAS R. HODGSON**, 56

1993 to present -- President and Chief Operating Officer, and Director.

Elected Corporate Officer -- 1980.

PAUL N. CLARK**, 51

1993 to 1998 -- Senior Vice President, Pharmaceutical Operations.

1998 to present -- Executive Vice President.

Elected Corporate Officer -- 1985.

ROBERT L. PARKINSON, JR.**, 47

1993 -- Vice President, European Operations.

1993 to 1995 -- Senior Vice President, Chemical and Agricultural Products.

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

1998 to present -- Executive Vice President.

Elected Corporate Officer -- 1989.

MILES D. WHITE**, 42

1993 -- Divisional Vice President and General Manager, Diagnostic Systems and Operations.

1993 to 1994 -- Vice President, Diagnostic Systems and Operations.

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

1998 to present -- Executive Vice President.

Elected Corporate Officer -- 1993.

JOY A. AMUNDSON**, 43

1993 to 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**, 49

1993 -- Divisional Vice President, Diagnostic Commercial Operations.

1993 to 1998 -- Vice President, Diagnostic Commercial Operations.

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

Elected Corporate Officer -- 1993.

GARY P. COUGHLAN**, 53

1993 to present -- Senior Vice President, Finance and Chief Financial Officer.

Elected Corporate Officer -- 1990.

JOSE M. DE LASA**, 56

1993 to 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 **, 46

1993 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**, 44

1993 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**, 41

1993 to 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.

JOHN G. KRINGEL**, 58

1993 to 1998 -- Senior Vice President, Hospital Products.

1998 to present -- Senior Vice President.

Elected Corporate Officer -- 1981.

THOMAS M. MCNALLY**, 50

1993 -- Senior Vice President, Chemical and Agricultural Products.

1993 to 1998 -- Senior Vice President, Ross Products.

1998 to present -- Senior Vice President.

Elected Corporate Officer -- 1989.

ELLEN M. WALVOORD**, 58

1993 to 1995 -- Vice President, Investor Relations and Public Affairs.

1995 to present -- Senior Vice President, Human Resources.

Elected Corporate Officer -- 1991.

JOSEF WENDLER**, 48

1993 -- Divisional Vice President, Pacific, Asia, and Africa.

1993 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**, 45

1993 to 1995 -- Director, Corporate Communications.

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

Elected Corporate Officer -- 1995.

PATRICK J. BALTHROP, 41

1993 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, Diagnostic Operations, U.S. and Canada.

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

Elected Corporate Officer -- 1996.

MARK E. BARMAK, 56

1993 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, 45

1993 to 1996 -- Vice President, Hospital Products Business Sector.

1996 to present -- Vice President, MediSense Operations.

Elected Corporate Officer -- 1993.

DOUGLAS C. BRYANT, 40

1993 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, Diagnostic Operations, Asia and Pacific.

Elected Corporate Officer -- 1998.

GARY R. BYERS**, 56

1993 -- Divisional Vice President, Corporate Auditing.

1993 to present -- Vice President, Internal Audit.

Elected Corporate Officer -- 1993.

THOMAS F. CHEN, 48

1993 to 1994 -- General Manager, Korea and Taiwan.

1994 to 1996 -- General Manager Taiwan and Peoples Republic of China Task Force.

1996 to 1998 -- Regional Director, Taiwan and Peoples Republic of China.

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

Elected Corporate Officer -- 1998.

KENNETH W. FARMER**, 52

1993 to present -- Vice President, Management Information Services and Administration.

Elected Corporate Officer -- 1985.

EDWARD J. FIORENTINO, 39

1993 to 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**, 43

1993 to present -- Vice President and Treasurer.

Elected Corporate Officer -- 1991.

DAVID B. GOFFREDO, 43

1993 -- Divisional Vice President, Pharmaceutical Products Marketing.

1993 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, 44

1993 to 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, 54

1993 -- Divisional Vice President and General Manager, Diagnostic Assays and Operations.

1993 to present -- Vice President, Diagnostic Assays and Systems.

Elected Corporate Officer -- 1993.

JAMES J. KOZIARZ, 49

1993 -- Divisional Vice President, Diagnostic Products Research and Development.

1993 to present -- Vice President, Diagnostic Products Research and Development.

Elected Corporate Officer -- 1993.

JOHN F. LUSSEN**, 56

1993 to present -- Vice President, Taxes.

Elected Corporate Officer -- 1985.

EDWARD L. MICHAEL, 41

1993 to 1994 -- Business Unit Manager, Diagnostics Division.

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

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

Elected Corporate Officer -- 1997.

THEODORE A. OLSON**, 59

1993 to present -- Vice President and Controller.

Elected Corporate Officer -- 1988.

ANDRE G. PERNET, 53

1993 to 1994 -- Divisional Vice President, Pharmaceutical Development, Pharmaceutical Products Division.

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

Elected Corporate Officer -- 1994.

CARL A. SPALDING, 52

1993 -- Divisional Vice President and General Manager, Ross Pediatric Products.

1993 to present -- Vice President, Ross Pediatric Products.

Elected Corporate Officer -- 1993.

WILLIAM H. STADTLANDER, 52

1993 -- Divisional Vice President and General Manager, Medical Nutritionals.

1993 to present -- Vice President, Ross Medical Nutritional Products.

Elected Corporate Officer -- 1993.

MARCIA A. THOMAS **, 50

1993 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.

H. THOMAS WATKINS**, 45

1993 -- Divisional Vice President and Sector General Manager, Diagnostics Division.

1994 to 1996 -- Divisional Vice President and General Manager, Asia and Pacific Diagnostics.

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

1998 to present -- Vice President, Abbott HealthSystems.

Elected Corporate Officer -- 1996.

STEVEN J. WEGER, JR.**, 53

1993 -- Director, Strategic Planning, Diagnostics Division.

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, 41

1993 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, Diagnostic Operations, U.S. and Canada.

Elected Corporate Officer -- 1998.

LANCE B. WYATT**, 53

1993 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, the Company 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 the Company'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. Overseas, the Company's shares are listed on the London Stock Exchange and the Swiss Stock Exchange.

	MARKET PRICE PER SHARE			
	1997		1996	
	HIGH	LOW	HIGH	LOW
First Quarter	60 1/2	49 3/4	44 3/4	38 1/8
Second Quarter	68 15/16	52 7/8	43 7/8	38 5/8
Third Quarter	68 1/2	58 13/16	49 3/4	41 3/8
Fourth Quarter	69 1/4	57 1/16	57 3/8	48 3/4

Market prices are as reported by the New York Stock Exchange composite transaction reporting system.

SHAREHOLDERS

There were 102,981 shareholders of record of Abbott common shares as of December 31, 1997.

DIVIDENDS

Quarterly dividends of $.27 per share and $.24 per share were declared on common shares in 1997 and 1996, respectively.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated herein by reference for the years 1993 through 1997 are the applicable portions of the section captioned "Summary of Selected Financial Data" of the 1997 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 1997, 1996, and 1995 found under the section captioned "Financial Review" of the 1997 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 1997 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated herein by reference are the portions of the 1997 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 15, 1998 (except with respect to the matter discussed in Note 12, as to which the date is February 13, 1998)). Data relating to quarterly results is found in Note 9.

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 1998 Abbott Laboratories Proxy Statement (1998 Proxy Statement).

ITEM 11. EXECUTIVE COMPENSATION

The material in the 1998 Proxy Statement under the heading "Executive Compensation," other than the Report of the Compensation Committee, the Performance Graph, and Security Ownership of 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 1998 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, 1997, 1996, and 1995 and the related report of Arthur Andersen LLP dated January 15, 1998 (except with respect to the matter discussed in Note 12, as to which the date is February 13, 1998), appearing under the portions of the 1997 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 1997 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 1997 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 26 and 27 of this Form 10-K.

(b) REPORTS ON FORM 8-K DURING THE QUARTER ENDED DECEMBER 31, 1997:

No reports on Form 8-K were filed during the quarter ended December 31, 1997.

(c) EXHIBITS FILED (SEE EXHIBIT INDEX ON PAGES 26 AND 27).

(d) FINANCIAL STATEMENT SCHEDULES FILED (PAGE 23).

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/ DUANE L. BURNHAM

Duane L. Burnham
Chairman of the Board and
Chief Executive Officer

Date: February 13, 1998

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 13, 1998 in the capacities indicated below.

/s/ DUANE L. BURNHAM

Duane L. Burnham
Chairman of the Board,
Chief Executive Officer and
Director of Abbott Laboratories
(principal executive officer)

/s/ GARY P. COUGHLAN

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

/s/ THOMAS R. HODGSON

Thomas R. Hodgson
President, Chief Operating Officer
and Director of Abbott Laboratories

/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 of Abbott Laboratories

/s/ H. LAURANCE FULLER

H. Laurance Fuller
Director of Abbott Laboratories

/s/ DAVID A. JONES

David A. Jones
Director of Abbott Laboratories

/s/ DAVID A. L. OWEN

David A. L. Owen
Director of Abbott Laboratories

/s/ BOONE POWELL, JR.

Boone Powell, Jr.
Director of Abbott Laboratories

/s/ A. BARRY RAND

A. Barry Rand
Director of Abbott Laboratories

/s/ W. ANN REYNOLDS

W. Ann Reynolds
Director of Abbott Laboratories

/s/ WILLIAM D. SMITHBURG
- --
William D. Smithburg
Director of Abbott Laboratories

/s/ WILLIAM L. WEISS
- --
William L. Weiss
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996, AND 1995
(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
1997	153,424	28,193	(14,211)	167,406
1996	157,990	7,389	(11,955)	153,424
1995	128,929	32,462	(3,401)	157,990

(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 the Company's Annual Report incorporated by reference in this Form 10-K, and have issued our report thereon dated January 15, 1998 (except with respect to the matter discussed in Note 12, as to which the date is February 13, 1998). Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II is the responsibility of the Company'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 15, 1998

(except with respect to the matter
discussed in Note 12, as to
which the date is February 13, 1998)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of the following into the Company'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 and 333-43381 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 and 333-43383 for the Abbott Laboratories Stock Retirement Plan and Trust and into the Company's previously filed S-3 Registration Statements 33-50253 and 333-06155:

1. Our supplemental report dated January 15, 1998 (except with respect to the matter discussed in Note 12, as to which the date is February 13, 1998) included in this Annual Report on Form 10-K for the year ended December 31, 1997; and

2. Our report dated January 15, 1998 (except with respect to the matter discussed in Note 12, as to which the date is February 13, 1998) incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1997.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 9, 1998

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
1997

10-K EXHIBIT TABLE ITEM NO.	
3.1	* Articles of Incorporation-Abbott Laboratories, filed as Exhibit 3.1 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
3.2	* Corporate By-Laws-Abbott Laboratories, filed as Exhibit 3 to the Abbott Laboratories Quarterly Report on Form 10-Q for the Quarter ended March 31, 1997.
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 the Company'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 the Company'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 the Company'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 the Company'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 the Company'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 the Company'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 the Company'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 the Company'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 the Company's 6.4% Notes filed as Exhibit 4.16 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
	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.**
10.3	The Abbott Laboratories 1991 Incentive Stock Program.**
10.4	Consulting agreement between Abbott Laboratories and K. Frank Austen, M.D. dated, December 15, 1997.**
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 10.6 to the 1996 Abbott Laboratories Annual Report on Form 10-K.**
10.7	* The 1986 Abbott Laboratories Management Incentive Plan filed as Exhibit 10.1 to the 1996 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.**
11	Calculation of Diluted Earnings Per Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
13	The portions of the Abbott Laboratories Annual Report for the year ended December 31, 1997 captioned Financial Review, Financial Instruments and Risk Management, 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, and the applicable portions of the section captioned Summary of Financial Data for the years 1993 through 1997.
21	Subsidiaries of Abbott Laboratories.
23	Consent of Independent Public Accountants.
27	Financial Data Schedule.
99.1	Cautionary Statement Regarding Forward-Looking Statements.
	The 1998 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 10, 1998.

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* Incorporated herein by reference.

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

The Company 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 60064-3500.

ABBOTT LABORATORIES

1986 INCENTIVE STOCK PROGRAM

1. PURPOSE. The purpose of the Abbott Laboratories 1986 Incentive Stock Program (the "Program") is to attract and retain outstanding individuals as officers and key employees of Abbott Laboratories (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing such persons opportunities to acquire common shares of the Company, or monetary payments based on the value of such shares or the financial performance of the Company, or both, on advantageous terms as herein provided.

2. ADMINISTRATION. The Program will be administered by a committee (the "Committee") which shall be either the Compensation Committee of the Board of Directors of the Company or such other committee comprised of "disinterested persons" as defined in Rule 16b-3 of the Securities and Exchange Commission as the Board of Directors may from time to time designate. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of meeting of the Committee by a writing signed by a majority of the Committee members.

3. PARTICIPANTS. Participants in the Program will consist of such officers or other key employees of the Company and its subsidiaries as the Committee in its sole discretions may designate from time to time to receive Benefits hereunder. The Committee's designation of a

participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; and (iv) other compensation provided to participants. Non-Employee Directors shall also be participants in the Program solely for purposes of receiving Restricted Stock Awards under paragraph 13. The term "Non-Employee Director" shall mean a person who is elected to the Board of Directors in April, 1987 or at any time thereafter and who is not a full-time employee of the Company or any of its subsidiaries.

4. TYPES OF BENEFITS. Benefits under the Program may be granted in any one or a combination of (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Limited Stock Appreciation Rights; (e) Restricted Stock Awards; (f) Performance Units; and (g) Foreign Qualified Benefits, all as described below and pursuant to the Plans set forth in paragraphs 6-12 hereof.

5. SHARES RESERVED UNDER THE PROGRAM. There is hereby reserved for issuance under the Program an aggregate of Three Million Five Hundred Thousand (3,500,000) common shares, which may be newly issued or treasury shares. The shares hereby reserved are in addition to the shares previously reserved under the Company's 1973 Incentive Stock Plan, 1977 Incentive Stock Plan and 1981 Incentive Stock Program (the "Prior Stock Option Plans"). Any common shares reserved for issuance under the Prior Stock Option Plans in excess of the number of shares as to which options or other Benefits have been awarded on the date of shareholder approval of this Program, plus any such shares as to which options or other Benefits granted under the Prior

Stock Option Plans my lapse, expire, terminate or be canceled after such date, shall also be reserved and available for issuance in connection with Benefits under this Program. All of such shares may, but need not, be issued pursuant to the exercise of the Incentive Stock Options.

If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payment of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Benefit may again be used for new options, rights or awards of any sort authorized under this Program; provided, however, that in no event may the number of common shares issued under this Program exceed the total number of shares reserved for issuance hereunder.

6. INCENTIVE STOCK OPTION PLAN. Incentive Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Incentive Stock Options will be exercisable over not more than ten (10) years after the date of grant and shall terminate not later than six (6) months after termination of employment for any reason other than retirement or death. In the event of retirement, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an Incentive Stock Option shall terminate not later than sixty (60) months after the date of such retirement or death. If the optionee should die within six (6) months after termination of employment for any reason other than retirement, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate not later than the later of six (6) months after the date of such termination or three (3) months after the date of such death. If the optionee should die within sixty (60) months after retirement, the right of his or her successor in interest to

exercise an Incentive Stock Option shall terminate not later than the later of sixty (60) months after the date of such retirement or six (6) months after the date of such death. The aggregate fair market value (determined as of the time the Option is granted) of the common shares with respect to which Incentive stock options granted after December 31, 1986 are exercisable for the first time by any individual during any calendar year (under all option plans of the Company and its subsidiary corporations) shall not exceed $100,000. An Incentive Stock Option granted to any individual prior to January 1, 1987 shall not be exercisable while there is outstanding any unexercised installment of any Incentive Stock Option which was granted, before the granting of such option, to such individual to purchase stock in the Company or in a corporation which (at the time of the granting of such option) is a parent or subsidiary corporation of the Company. For purposes hereof, the term "outstanding" shall have the meaning provided by Section 422A of the Internal Revenue Code. No Incentive Stock Option may be granted to any individual who, at the time the Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of the any parent or subsidiary corporation of the Company.

7. NON-QUALIFIED STOCK OPTION PLAN. Non-qualified Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Non-qualified Stock Options will be exercisable over not more than ten (10) years after the date of grant and shall terminate not later than six (6) months after termination of employment for any reason other than retirement or death. In the event of retirement, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise a Non-qualified Stock Option shall terminate not later than sixty (60) months after the date of such retirement or death. If the optionee should die

within six (6) months after termination of employment for any reason other than retirement, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate not later than the later of six (6) months after the date of such termination or three (3) months after the date of such death. If the optionee should die within sixty (60) months after retirement, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate not later than the later of sixty (60) months after the date of such retirement or six (6) months after the date of such death.

8. STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Stock Option Plans. Such Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Stock Appreciation Rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to elect to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) The Committee shall have the discretion to satisfy a participant's right to receive the amount of cash determined under subparagraph (b) hereof, in whole or in part, by the

delivery of common shares valued as of the date of the participant's election.

(d) A Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Limited Stock Appreciation Right with respect to the same stock option. However, a Stock Appreciation Right may not be exercised during any period that a Limited Stock Appreciation Right with respect to the same stock option may be exercised.

(e) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

9. LIMITED STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Limited Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Stock Option Plans. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Limited Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) A Limited Stock Appreciation Right will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Limited Stock Appreciation Right may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission) and only during the sixty (60) day period commencing with the day following the date of a Change In Control.

(d) A Limited Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Stock Appreciation Right with respect to the same stock option.

(e) In the event of the exercise of a Limited Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

10. RESTRICTED STOCK AWARDS PLAN. Restricted Stock Awards will consist of common shares transferred to participants without other payment therefor as additional compensation for their services to the Company or one of its subsidiaries. Restricted Stock Awards shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitations, restrictions on the sale or other disposition of such shares and rights of the Company to reacquire such shares upon termination of the participant's employment within specified periods.

11. PERFORMANCE UNITS PLAN. Performance Units shall consist of monetary units granted to participants which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time, but not in any event more than five (5) years. The goals established by the Committee may include earnings per share, return on shareholder equity, return on average total capital employed, and/or such other

goals as may be established by the Committee in its discretion. In the event the minimum corporate goal established by the Committee is not achieved at the conclusion of a period, no payment shall be made to the participant. In the event the maximum corporate goal is achieved, One Hundred percent (100%) of the monetary value of the Performance Units shall be paid to or vested in the participants. Partial achievement of the maximum goal may result in a payment or vesting corresponding to the degree of achievement. Payment of an award earned may be in cash or in common shares or in a combination of both, and may be made when earned, or vested and deferred, as the Committee in its sole discretion determines. Deferred awards shall earn interest on the terms and at a rate determined by the Committee. The number of shares reserved for issuance hereunder shall be reduced by the largest whole number obtained by dividing the monetary value of the units at the commencement of the performance period by the market value of a common share at such time, provided that such number of shares may again become available for issuance under this Program as is provided in Paragraph 5 hereof.

12. FOREIGN QUALIFIED BENEFITS. Benefits under the Program may be granted to such officers and key employees of the Company and its subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Program as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no Benefit shall be granted under any such supplement with terms or conditions which are inconsistent with the provisions as set forth under the Program.

13. RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE DIRECTORS.

(a) Each Non-Employee Director shall be granted the following Restricted Stock Awards (as defined in paragraph 10):

(i) 1987 GRANT. Subject to paragraph 13 (f), each person serving as a Non-Employee Director as of June 11, 1987 shall receive a Restricted Stock Award on January 1, 1988 covering Three Hundred (300) Abbott common shares.

(ii) 1990 GRANT. Each person elected a Non-Employee Director at the annual shareholders meeting in 1990 shall receive a Restricted Stock Award on that date covering a number of Abbott common shares determined by the Board of Directors (which number shall be the same for all such directors) not in excess of shares with a fair market value on the date of the award of Thirty-six Thousand Dollars ($36,000).

(iii) INTERIM GRANTS. Each person elected a Non-Employee Director after June 1987 and prior to April, 1991 who has not previously received an award under this paragraph 13 shall receive a Restricted Stock Award on the later of January 1, 1988 or the date of his election, covering a number of Abbott common shares determined as follows:

(A) If such person is elected prior to April, 1990, the number of shares shall be 300 multiplied by a fraction, the numerator of which is the number of full calendar months remaining from the date of such election to the second Friday in April, 1990, and the denominator of which is 36.

(B) If such person is elected after April, 1990 and prior to April, 1991, the number of shares shall be that number determined by the Board under

paragraph 13(a)(ii) multiplied by a fraction, the numerator of which is the number of full calendar months remaining from the date of such election to the second Friday in April, 1993, and the denominator of which is 36.

Any fractional shares resulting from these calculations shall be rounded to the next larger whole number.

(b) ISSUANCE OF CERTIFICATES. Subject to paragraph 13(f), as soon as practicable following the date of the award the Company shall issue certificates ("Certificates") to the Non-Employee Director receiving the award, representing the number of common shares covered by the award. At the discretion of the Company, the Certificates shall bear legends describing the restrictions on such shares imposed by this paragraph 13.

(c) RIGHTS. Upon issuance of the Certificates, the directors in whose names they are registered shall, subject to the restrictions of this paragraph 13, have all of the rights of a shareholder with respect to the shares represented by the Certificates, including the right to vote such shares and receive case dividends and other distributions thereon.

(d) RESTRICTED PERIOD. The shares covered by awards granted under this paragraph 13 shall be subject to the restrictions of this paragraph 13 for a period (the "Restricted Period") commencing with the date of the award and ending on the earliest of the following events:

(i) The date the director terminates or retires from the Board;

(ii) The date the director dies; or

(iii) The date of occurrence of a Change in Control (as defined in paragraph 19(c)).

(e) RESTRICTIONS. All shares covered by awards granted under this paragraph 13 shall be subject to the following restrictions during the Restricted Period:

(i) The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

(ii) Any additional common shares of the Company or other securities or property issued with respect to shares covered by awards granted under this paragraph 13 as a result of any stock dividend, stock split or reorganization, shall be subject to the restrictions and other provisions of this paragraph 13.

(iii) A director shall not be entitled to receive any shares prior to completion of all actions deemed appropriate by the Company to comply with federal or state securities laws and stock exchange requirements.

(f) SECURITIES AND EXCHANGE COMMISSION COMPLIANCE.

This paragraph 13 shall be contingent on receipt by the Company of a no-action letter from the Securities and Exchange Commission or an opinion from counsel acceptable to the Company to the affect that:

(i) The granting of Restricted Stock Awards to directors under this paragraph 13 shall not disqualify such directors as "disinterested persons" under Rule 16b-3(d)(3) under the Securities Exchange Act of 1934; and

(ii) The addition of this paragraph 13 to the Program need not be approved by the shareholders of the Company to

preserve the Program's exemption under Rule 16b-3 under the Securities Exchange Act of 1934.

No awards shall be granted under this paragraph 13 until such compliance is achieved. This paragraph 13 shall be null and void if such compliance is not achieved by March 31, 1988.

(g) Except in the event of conflict, all provisions of the Program shall apply to this paragraph 13. In the event of any conflict between the provisions of the Program and this paragraph 13, this paragraph 13 shall control. Those provisions of paragraph 16 which authorize the Committee to declare outstanding restricted stock awards to be vested and to amend or modify the terms of Benefits shall not apply to awards granted under this paragraph 13.

14. NONTRANSFERABILITY. Except as provided by the Committee, each stock option and any other Benefit granted under this Program shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by the participant or the participant's guardian or legal representative.

15. OTHER PROVISIONS. The award of any Benefit under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other common shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Program.

The Committee may, in its discretion and subject to such rules as it may adopt, permit a participant to pay all or a portion of the federal, state and local taxes, including FICA withholding tax, arising in connection with the following transactions: (a) the exercise of a Non-qualified Stock Option; (b) the lapse of restrictions on common shares received as a Restricted Stock Award; or (c) the receipt or exercise of any other Benefit; by electing (i) to have the Company withhold common shares, (ii) to tender back common shares received in connection with such Benefit or (iii) to deliver other previously acquired common shares of the Company having a fair market value approximately equal to the amount to be withheld.

16. TERM OF PROGRAM AND AMENDMENT MODIFICATION.

CANCELLATION OR ACCELERATION OF BENEFITS. No Benefit shall be granted more than five (5) years after the date of the approval of this Program by the shareholders; provided, however, that the terms and conditions applicable to any Benefits granted prior to such date may at any time be amended, modified or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of common shares issuable under this Program; and provided further, that the Committee may, at any time and in its sole discretion, declare any or all stock options and stock appreciation rights then outstanding under this Program or the Prior Stock Option Plans to be exercisable, any or all then outstanding Restricted Stock Awards to be vested, and any or all then outstanding Performance Units to have been earned, whether or not such options, rights, awards or units are then otherwise exercisable, vested or earned.

17. AMENDMENT TO PRIOR STOCK OPTION PLANS. No options or other Benefits shall be granted under the Prior Stock Option Plans on or after the date of shareholder approval of this Program.

18. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Program after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

19. DEFINITIONS.

(a) FAIR MARKET VALUE. The Fair Market Value of the Company's common shares at any time shall be determined in such manner as the Committee may deem equitable or required by applicable laws or regulations; provided, however, that in the case of any Limited Stock Appreciation Right (other than a right related to an Incentive Stock Option), the Fair Market Value shall be the higher of:

(i) The highest daily closing price of the Company's common shares during the sixty (60) day period following Change in Control; or

(ii) The highest gross price paid or to be paid for the Company's common shares in any of the transactions described in paragraphs 18(c)(ii) and 18(c)(iii).

(b) SUBSIDIARY. The term "subsidiary" for all purposes other than the Incentive Stock Option Plan described in paragraph 6, shall mean any corporation, partnership, joint venture or business trust, fifty percent (50%) or more of the control of which is owned, directly or indirectly, by the Company.

(c) CHANGE IN CONTROL. 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.

20. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of issued

common shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of shares reserved for issuance under this Program and the number of shares covered by each outstanding Benefit shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Benefit shall not be changed. The Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the common shares resulting from reorganization, sale, merger, consolidation or similar occurrence.

(b) Notwithstanding any other provision of this Program, and without affecting number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Notwithstanding any other provision of this program or the Prior Stock Option Plans, upon the occurrence of a Change in Control:

(i) All stock options then outstanding under this Program or the Prior Stock Option Plans shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable:

(ii) All Stock Appreciation Rights which have been outstanding for at least six (6) months shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied

as of the date of the Change in Control; and

(iv) All Performance Units then outstanding shall be deemed to have been fully earned and to be immediately payable, in cash, as of the date of the Change in Control.

21. AMENDMENT AND TERMINATION OF PROGRAM. The Board of Directors of the Company may amend the Program from time to time or terminate the Program at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. However, except for adjustments expressly provided for herein, no amendment may (i) materially increase the Benefits accruing to participants, (ii) materially increase the number of shares which may be issued, or (iii) materially modify the requirements as to eligibility for participation in the Program.

22. SHAREHOLDER APPROVAL. The Program was adopted by the Board of Directors of the Company on December 13, 1985. The Program and any Incentive Stock Options granted thereunder shall be null and void if shareholder approval is not obtained within twelve (12) months of the adoption of the Plan by the Board of Directors.

ABBOTT LABORATORIES
1991 INCENTIVE STOCK PROGRAM

1. PURPOSE. The purpose of the Abbott Laboratories 1991 Incentive Stock Program (the "Program") is to attract and retain outstanding individuals as directors, officers and other employees of Abbott Laboratories (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing such persons opportunities to acquire common shares of the Company, or monetary payments based on the value of such shares or the financial performance of the Company, or both, on advantageous terms as herein provided.

2. ADMINISTRATION. The Program will be administered by a committee (the "Committee") of at least two persons which shall be either the Compensation Committee of the Board of Directors of the Company or such other committee comprised entirely of "disinterested persons" as defined in Rule 16b-3 of the Securities and Exchange Commission as the Board of Directors may from time to time designate. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of meeting of the Committee by a writing signed by a majority of the Committee members

3. PARTICIPANTS. Participants in the Program will consist of such officers and other employees of the Company and its subsidiaries as the Committee in its sole discretions may designate from time to time to receive

Benefits hereunder. The Committee's designation of a participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; and (iv) other compensation provided to participants. Non-Employee Directors shall also be participants in the Program solely for purposes of receiving Restricted Stock Awards under paragraph 13. The term "Non-Employee Director" shall mean a member of the Board of Directors who is not a full-time employee of the Company or any of its subsidiaries.

4. TYPES OF BENEFITS. Benefits under the Program may be granted in any one or a combination of (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Limited Stock Appreciation Rights; (e) Restricted Stock Awards; (f) Performance Units; and (g) Foreign Qualified Benefits, all as described below and pursuant to the Plans set forth in paragraphs 6-12 hereof.

5. SHARES RESERVED UNDER THE PROGRAM. There is hereby reserved for issuance under the Program an aggregate of Five Million (5,000,000) common shares, which may be newly issued or treasury shares. The shares hereby reserved are in addition to the shares previously reserved under the Company's 1977 Incentive Stock Plan, 1981 Incentive Stock Program and 1986 Incentive Stock Program (the "Prior Stock Option Plans"). Any common shares reserved for issuance under the Prior Stock Option Plans in excess of the number of shares as to which options or other Benefits have been awarded on the date of share holder approval of this Program, plus any such shares as to which options or other

Benefits granted under the Prior Stock Option Plans my lapse, expire, terminate or be canceled after such date, shall also be reserved and available for issuance in connection with Benefits under this Program. All of such shares may, but need not, be issued pursuant to the exercise of Incentive Stock Options.

If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payment of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Benefit may again be used for new options, rights or awards of any sort authorized under this Program; provided, however, that in no event may the number of common shares issued under this Program exceed the total number of shares reserved for issuance hereunder.

6. INCENTIVE STOCK OPTION PLAN. Incentive Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Incentive Stock Options will be exercisable over not more than ten (10) years after the date of grant. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or sixty (60) months after the date of such retirement, disability or death. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end

of the original term of the option or three (3) months after the date of such death. If the optionee should die within sixty (60) months after termination of employment due to retirement or disability, the right of his or successor in interest to exercise an Incentive Stock Option shall terminate upon the later of sixty (60) months after the date of such retirement or disability or six (6) months after the date of such death, but not later than the end of the original term of the option. The aggregate fair market value (determined as of the time the Option is granted) of the common shares with respect to which Incentive stock options are exercisable for the first time by any individual during any calendar year (under all option plans of the Company and its subsidiary corporations) shall not exceed $100,000. An Incentive Stock Option granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

7. NON-QUALIFIED STOCK OPTION PLAN. Non-qualified Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. Non-qualified Stock Options will be exercisable over not more than ten (10) years after the date of grant. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or sixty (60) months after the date of such retirement, disability or death. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. If the optionee should die within sixty (60) months after termination of employment due to retirement or disability, the right of

his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the later of sixty (60) months after the date of such retirement or disability or six (6) months after the date of such death, but not later than the end of the original term of the option. A Non-qualified Stock Option granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

8. STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Stock Option Plans. Such Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Stock Appreciation Rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable

and to elect to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Stock Appreciation Right granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

(d) The Committee shall have the discretion to satisfy a participant's right to receive the amount of cash determined under subparagraph (b) hereof, in whole or in part, by the delivery of common shares valued as of the date of the participant's election.

(e) A Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Limited Stock Appreciation Right with respect to the same stock option. However, a Stock Appreciation Right may not be exercised during any period that a Limited Stock Appreciation Right with respect to the same stock option may be exercised.

(f) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

9. LIMITED STOCK APPRECIATION RIGHTS PLAN. The Committee may, in its discretion, grant a Limited Stock Appreciation Right to the holder of any stock

option granted hereunder or under the Prior Stock Option Plans. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Limited Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) A Limited Stock Appreciation Right will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Limited Stock Appreciation Right granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission) and only during the sixty (60) day period commencing with the day following the date of a Change in Control.

(d) A Limited Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Stock Appreciation Right with respect to the same stock option.

(e) In the event of the exercise of a Limited Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

10. RESTRICTED STOCK AWARDS PLAN. Restricted Stock Awards will consist of common shares transferred to participants without other payment therefor as additional compensation for their services to the Company or one of its subsidiaries. Restricted Stock Awards shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitations, restrictions on the sale or other disposition of such shares and rights of the Company to reacquire such shares upon termination of the participant's employment within specified periods. Subject to such other restrictions as are imposed by the Committee, the common shares covered by a Restricted Stock Award granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be sold or otherwise disposed of only after six (6) months from the grant date of the award (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission).

11. PERFORMANCE UNITS PLAN. Performance Units shall consist of monetary units granted to participants which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time, but not in any event more than five (5) years. The goals established by the Committee may include earnings per share, return on shareholder equity, return on average total capital employed, and/or such other goals as may be established by the Committee in its discretion. In the event the minimum corporate goal established by the Committee is not achieved at the conclusion of a period, no amount shall be paid to or vested in the participant. In the event the maximum corporate goal is achieved, One Hundred (100%) of the

monetary value of the Performance Units shall be paid to or vested in the participants. Partial achievement of the maximum goal may result in a payment or vesting corresponding to the degree of achievement. Payment of an award earned may be in cash or in common shares or in a combination of both, and may be made when earned, or vested and deferred, as the Committee in its sole discretion determines. Deferred awards shall earn interest on the terms and at a rate determined by the Committee. The number of shares reserved for issuance hereunder shall be reduced by the largest whole number obtained by dividing monetary value of the units at the commencement of the performance period by the market value of a common share at such time, provided that such number of shares may again become available for issuance under this Program as is provided in Paragraph 5 hereof.

12. FOREIGN QUALIFIED BENEFITS. Benefits under the Program may be granted to such employees of the Company and its subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Program as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no Benefit shall be granted under any such supplement with terms or conditions which are inconsistent with the provisions as set forth under the Program.

13. RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE DIRECTORS.

(a) Each person elected a Non-Employee Director at the annual shareholders meeting in 1991, 1992, 1993, 1994 and 1995 shall receive a restricted Stock Award on that date covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, Twenty Thousand Dollars ($20,000).

(b) ISSUANCE OF CERTIFICATES. As soon as practicable following the date of the award the Company shall issue certificates ("Certificates") to the Non-Employee Director receiving the award, representing the number of common shares covered by the award. At the discretion of the Company, the Certificates shall bear legends describing the restrictions on such shares imposed by this paragraph 13.

(c) RIGHTS. Upon issuance of the Certificates, the directors in whose names they are registered shall, subject to the restrictions of this paragraph 13, have all of the rights of a shareholder with respect to the shares represented by the Certificates, including the right to vote such shares and receive case dividends and other distributions thereon.

(d) RESTRICTED PERIOD. The shares covered by awards granted under this paragraph 13 may not be sold or otherwise disposed of within six (6) months following their grant date (unless otherwise permitted under Rule 16b-3 of the Securities and Exchange Commission) and in addition shall be subject to the restrictions of this paragraph 13 for a period (the "Restricted Period") commencing with the date of the award and ending on the earliest of the following events:

(i) The date the director terminates or retires from the Board;

(ii) The date the director dies; or

(iii) The date of occurrence of a Change in Control (as defined in paragraph 19(c)).

(e) RESTRICTIONS. All shares covered by awards granted under

this paragraph 13 shall be subject to the following restrictions during the Restricted Period:

(i) The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

(ii) Any additional common shares of the Company or other securities or property issued with respect to shares covered by awards granted under this paragraph 13 as a result of any stock dividend, stock split or reorganization, shall be subject to the restrictions and other provisions of this paragraph 13.

(iii) A director shall not be entitled to receive any shares prior to completion of all actions deemed appropriate by the Company to comply with federal or state securities laws and stock exchange requirements.

(f) Except in the event of conflict, all provisions of the Program shall apply to this paragraph 13. In the event of any conflict between the provisions of the Program and this paragraph 13, this paragraph 13 shall control. Those provisions of paragraph 16 which authorize the Committee to declare outstanding restricted stock awards to be vested and to amend or modify the terms of Benefits shall not apply to awards granted under this paragraph 13.

14. NONTRANSFERABILITY. Except as provided by the Committee, each stock option and stock appreciation right granted under this Program shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by the participant or the participant's guardian or legal representative. Except as provided by the Committee, a participant's interest in a Performance Unit shall not be transferable until payment or delivery of the award is made.

15. OTHER PROVISIONS. The award of any Benefit under the Program may also

be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other common shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Program.

The Committee may, in its discretion, permit payment of the purchase price of shares under stock options by delivery of a properly executed exercise notice together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

The Committee may, in its discretion and subject to such rules as it may adopt, permit a participant to pay all or a portion of the federal, state and local taxes, including FICA withholding tax, arising in connection with the following transactions: (a) the exercise of a Non-qualified Stock Option; (b) the lapse of restrictions on common shares received as a Restricted Stock Award; or (c) the receipt or exercise of any other Benefit; by electing (i) to have the Company withhold common shares, (ii) to tender back common shares received in connection with such Benefit or (iii) to deliver other previously acquired common shares of the Company having a fair market value approximately equal to the amount to be withheld.

16. TERM OF PROGRAM AND AMENDMENT, MODIFICATION,

CANCELLATION OR ACCELERATION OF BENEFITS. No Benefit shall be granted more

than five (5) years after the date of the approval of this Program by the shareholders; provided, however, that the terms and conditions applicable to any Benefits granted prior to such date may at any time be amended, modified or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of common shares issuable under this Program; and provided further, that the Committee may, at any time and in its sole discretion, declare any or all stock options and stock appreciation rights then outstanding under this Program or the Prior Stock Option Plans to be exercisable, any or all then outstanding Restricted Stock Awards to be vested, and any or all then outstanding Performance Units to have been earned, whether or not such options, rights, awards or units are then otherwise exercisable, vested or earned.

17. AMENDMENT TO PRIOR STOCK OPTION PLANS. No options or other Benefits shall be granted under the Prior Stock Option Plans on or after the date of shareholder approval of this Program.

18. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Program after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

19. DEFINITIONS.

(a) FAIR MARKET VALUE. The Fair Market Value of the Company's common shares at any time shall be determined in such manner as the Committee may deem equitable or required by applicable laws or regulations; provided, however, that in the case of any Limited Stock Appreciation Right (other than a right related to an

Incentive Stock Option), the Fair Market Value shall be the higher of:

(i) The highest daily closing price of the Company's common shares during the sixty (60) day period following Change in Control; or

(ii) The highest gross price paid or to be paid for the Company's common shares in any of the transactions described in paragraphs 19(c)(i) and 19(c)(ii).

(b) SUBSIDIARY. The term "subsidiary" for all purposes other than the Incentive Stock Option Plan described in paragraph 6, shall mean any corporation, partnership, joint venture or business trust, fifty percent (50%) or more of the control of which is owned, directly or indirectly, by the Company. For Incentive Stock Option Plan purposes the term "subsidiary" shall be defined as provided in Internal Revenue Code Section 425(f).

(c) CHANGE IN CONTROL. 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.

(d) DISABILITY. The term "disability" for all purposes of the Program shall mean the participant's disability as defined in subsection 4.1(a) of the Abbott Laboratories Extended Disability Plan for twelve (12) consecutive months.

20. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of issued common shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of shares reserved for issuance under this Program and the number of shares covered by each outstanding Benefit shall be adjusted so that the aggregate consideration payable to the Company and the value of

each such Benefit shall not be changed. The Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the common shares resulting from reorganization, sale, merger, consolidation or similar occurrence.

(b) Notwithstanding any other provision of this Program, and without affecting number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Subject to the six month holding requirements of paragraphs 6, 7, 8(c), 9(c), 10 and 11(d) but notwithstanding any other provision of this program or the Prior Stock Option Plans, upon the occurrence of a Change in Control:

(i) All stock options then outstanding under this Program or the Prior Stock Option Plans shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable:

(ii) All Stock Appreciation Rights and Limited Stock Appreciation Rights then outstanding shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied of the date of the Change in Control; and

(iv) All Performance Units then outstanding shall be deemed to have been fully earned and to be immediately payable, in cash, as of the date of the Change in Control.

21. AMENDMENT AND TERMINATION OF PROGRAM. The Board of Directors of the

Company may amend the Program from time to time or terminate the Program at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. Paragraph 13 of the Program may not be amended more frequently than once every six months other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules thereunder, and no amendment of the Program shall result in any Committee member losing his or her status as a "disinterested person" as defined in Rule 16b-3 of the Securities and Exchange Commission with respect to any employee benefit plan of the Company or result in the Program losing its status as a protected plan under said Rule 16b-3.

22. SHAREHOLDER APPROVAL. The Program was adopted by the Board of Directors of the Company on February 8, 1991. The Program and any Benefit granted thereunder shall be null and void if shareholder approval is not obtained within twelve (12) months of the adoption of the Program by the Board of Directors.

December 15, 1997

K. Frank Austen, M.D.
Brigham & Women's Hospital
Smith Building
Room 638
75 Francis Street
Boston, MA 02115

Dear Frank:

This letter constitutes our agreement with you regarding your service as a consultant to Abbott Laboratories. You agree to provide consulting services as requested by the Chairman and Chief Executive Officer of Abbott.

You agree that you will be available for consultation with Abbott personnel by means of correspondence and telephone calls and that you will make such reports as appear reasonable and necessary. In addition, at Abbott's request, you will be present at our Abbott Park facility or at other locations for up to ten (10) days of consulting per year at such times as may be mutually agreed upon between you and the Chairman and Chief Executive Officer of Abbott.

The effective date of this Agreement shall be April 1, 1998 and it shall expire on March 31, 1999.

In consideration for services to be rendered under this Agreement, Abbott agrees to pay you compensation at the rate of Fifty Thousand Dollars ($50,000), $37,500 of which shall be paid on or about July 15th and the remaining $12,500 of which shall be paid on or about January 15th the following year. You will also be reimbursed for reasonable travel and accommodation expenses incurred by you in the performance of your services under this Agreement.

Payments shall be made as follows:

a. You may elect in writing for payments to be made in cash or to the "K. F. Austen Grantor Trust" dated November 4, 1988 (your "Secular Trust").

Such election shall be irrevocable as to payments made. If you fail to make an election by March 31, 1998 your payments will be made in cash.

b. If you elect to have any such payments paid to your Secular Trust, the portion paid to your Secular Trust and the portion paid to you in cash will be determined under subsection 9.2 of the Abbott Laboratories Non-Employee Directors' Fee Plan (the "Directors' Fee Plan").

c. If you elect to have any portion of such payments paid to your Secular Trust, the entire amount of the payments covered by such election (including the portion paid to you in cash and the portion paid to your Secular Trust) shall be credited to your "Deferred Fee Trust Account" or "Stock Trust Account" established under subsection 9.3 of the Directors' Fee Plan, in such portions as you elect. Such elections shall be made in accordance with the terms of the Directors' Fee Plan. Amounts credited to your "Stock Trust Account" will be converted to "Common Stock Units" under Section 6 of the Directors' Fee Plan based on the closing price of common shares of the Company on the date such amounts are paid to your Secular Trust, as reported on the New York Stock Exchange Composite Reporting System. Your "Deferred Fee Trust Account" will be subject to the adjustments and shall be credited with the interest specified in subsections 9.4 and 9.6 of the Directors' Fee Plan. Your "Stock Trust Account" will be subject to the adjustments and shall be credited with the fair market value appreciation or depreciation specified in subsections 9.5 and 9.6 of the Directors' Fee Plan.

d. Any payments credited to your "Deferred Fee Trust Account" and "Stock Trust Account" and the earnings on that portion of any fees or retainer paid to your Secular Trust shall be included in the calculation of any "Guaranteed Rate Payment", "Guaranteed Principal Payment" and "Tax Gross-up Payment" due your secular trust under subsections 9.7, 9.8 and 9.9 of the Directors' Fee Plan.

e. The beneficiary designation filed by you under your Secular Trust shall also control the disposition of any payments under this Agreement which remain in your Secular Trust upon your death.

Any inventions, suggestions, ideas, innovations or reports made by you as a result of the services performed hereunder, shall be promptly disclosed to and shall be the sole property of Abbott. You will cooperate with Abbott in obtaining patents on any such inventions and shall execute any documents tendered to convey or perfect Abbott's ownership in such inventions. You will assist Abbott

at its expense, in any manner which Abbott deems necessary to obtain, maintain or defend such patents.

You agree to use Abbott confidential information only for the purposes contemplated by this Agreement and not to disclose such information to others. Your obligations with respect to confidential information shall not apply to information which is publicly disclosed by Abbott or information in the public domain. You agree that you will not knowingly disclose to Abbott any information which is confidential to any other person or firm.

It is acknowledged that this is an Agreement for you to provide personal consulting services to Abbott. As such, Abbott's payment obligations shall cease to accrue upon your death. The relationship created by this Agreement shall be that of an independent contractor and you shall not be an employee of Abbott for any purpose whatsoever.

If you are in agreement with the terms set forth above, please so indicate by signing and returning the enclosed copy of this letter and retain the original for your files.

Very truly yours,

ABBOTT LABORATORIES

By

Duane L. Burnham, Chairman
And Chief Executive Officer

ACCEPTED:

K. Frank Austen, M.D.

Date:_____

Amended effective September 10, 1993

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 Four Thousand One Hundred Sixty-Seven Dollars ($4,167.00) 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 the 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_____

1. PURPOSE. The purpose of the Abbott Laboratories 1996 Incentive Stock Program (the "Program") is to attract and retain outstanding directors, officers and other employees of Abbott Laboratories (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing opportunities to acquire common shares of the Company, or monetary payments based on the value of such shares or the financial performance of the Company, or both, on advantageous terms as herein provided and to further align such persons' interests with those of the Company's other shareholders through compensation that is based on the value of the Company's common shares.

2. ADMINISTRATION. The Program will be administered by a committee (the "Committee") of at least two persons which shall be either the Compensation Committee of the Board of Directors of the Company or such other committee comprised entirely of persons who are both: (i) "disinterested persons" as defined in Rule 16b-3 of the Securities and Exchange Commission; and (ii) "outside directors" as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended; or any successor provision, as the Board of Directors may from time to time designate. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of meeting of the Committee by a writing signed by all of the Committee members. The Committee may, from time to time, delegate any or all of its duties, powers and authority to any officer or officers of the Company, except to the extent such delegation would be inconsistent with Rule 16b-3 of the Securities and Exchange Commission or other applicable law, rule or regulation. The Chief Executive Officer of the Company may, on behalf of the Committee, grant stock options and restricted stock awards under the Program, other than to persons subject to Section 16 of the Securities Exchange Act of 1934. All such grants by the Chief Executive Officer must be reported to, and ratified by, the Committee within twelve months of the grant date but, if ratified, shall be effective as of the grant date.

3. PARTICIPANTS. Participants in the Program will consist of such officers and other employees of the Company and its subsidiaries as the Committee in its sole discretion may designate from time to time to receive Benefits hereunder. The Committee's designation of a participant in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; (iv) prior awards to participants; and (v) other compensation provided to participants. Non-Employee Directors shall also be participants in the Program solely for purposes of receiving Restricted Stock Awards under paragraph 13 and Non-qualified Stock Options under paragraph 14. The term "Non-Employee Director" shall mean a member of the Board of Directors who is not a full-time employee of the Company or any of its subsidiaries.

4. TYPES OF BENEFITS. Benefits under the Program may be granted in any one or a combination of (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Limited Stock Appreciation Rights; (e) Restricted Stock Awards; (f) Performance Awards; and (g) Foreign Qualified Benefits, all as described below.

5. SHARES RESERVED UNDER THE PROGRAM. There is hereby reserved for issuance under the Program: (i) an aggregate of Five Million (5,000,000) common shares; plus (ii) an authorization for each calendar year (the "Annual Authorization") from and including 1996, of seven-tenths of one percent (0.7%) of the total common shares of the Company issued and outstanding as of the first day of such calendar year; which may be newly issued or treasury shares. The shares hereby reserved are in addition to the shares previously reserved under the Company's 1981 Incentive Stock Program, 1986 Incentive Stock Program and 1991 Incentive Stock Program (the "Prior Programs"). Any common shares reserved for issuance under the Prior Programs in excess of the number of shares as to which options or other Benefits have been awarded on the date of shareholder approval of this Program, plus any such shares as to which options or other Benefits granted under the Prior Programs may lapse, expire, terminate or be canceled after such date, shall also be reserved and available for issuance in connection with Benefits under this Program. Any common shares reserved under the Program for any calendar year under an Annual Authorization as to which options or other Benefits have not been awarded as of the end of such calendar year shall be available for issuance in connection with Benefits granted in subsequent years.

If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payment of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, or shares are reacquired pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of the Company, the shares subject to or reserved for such Benefit, or so reacquired, may again be used for new options, rights or awards of any sort authorized under this Program; provided, however, that in no event may the number of common shares issued under this Program, and not

reacquired by the Company pursuant to rights reserved upon the issuance thereof or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of the Company, exceed the total number of shares reserved for issuance hereunder.

6. INCENTIVE STOCK OPTIONS. Incentive Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. An Incentive Stock Option will not be exercisable after the expiration of ten (10) years from the date such option is granted. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the end of the original term of the option. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise an Incentive Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. To the extent the aggregate fair market value (determined as of the time the Option is granted) of the common shares with respect to which any Incentive Stock Option is exercisable for the first time by any individual during any calendar year (under all option plans of the Company and its subsidiary corporations) exceeds $100,000, the excess shall be treated as a Non-qualified Stock Option. An Incentive Stock Option shall be exercisable as determined by the Committee, but in no event earlier than six (6) months from its grant date.

7. NON-QUALIFIED STOCK OPTIONS. Non-qualified Stock Options will consist of options to purchase common shares at purchase prices not less than One Hundred percent (100%) of the Fair Market Value of such common shares on the date of grant. A Non-qualified Stock Option will not be exercisable after the expiration of ten (10) years from the date such option is granted. In the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the optionee's last day of work for the Company and its subsidiaries. In the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the end of the original term of the option. If the optionee should die within three (3) months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise a Non-qualified Stock Option shall terminate upon the earlier of the end of the original term of the option or three (3) months after the date of such death. A Non-qualified Stock Option shall be exercisable as determined by the Committee, but in no event earlier than six (6) months from its grant date.

8. STOCK APPRECIATION RIGHTS. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Programs. Such Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Stock Appreciation Rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to elect to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Stock Appreciation Right granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless such exercise would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission).

(d) A Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Limited Stock Appreciation Right with respect to the same stock option. However, a Stock Appreciation Right may not be exercised during any period that a Limited Stock Appreciation Right with respect to the same stock option may be exercised.

(e) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

9. LIMITED STOCK APPRECIATION RIGHTS. The Committee may, in its discretion, grant a Limited Stock Appreciation Right to the holder of any stock option granted hereunder or under the Prior Programs. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Program as the Committee shall impose from time to time, including the following:

(a) A Limited Stock Appreciation Right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) A Limited Stock Appreciation Right will permit the holder to surrender any related stock option or portion thereof which is then exercisable and to receive in exchange therefor cash in an amount equal to:

(i) The excess of the Fair Market Value on the date of such election of one common share over the option price multiplied by

(ii) The number of shares covered by such option or portion thereof which is so surrendered.

(c) A Limited Stock Appreciation Right granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be exercised only after six (6) months from its grant date (unless such exercise would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission) and only during the sixty (60) day period commencing on the later of: (i) the day following the date of a Change in Control; or (ii) the first date on which such exercise would be exempt under Rule 16b-3 of the Securities and Exchange Commission.

(d) A Limited Stock Appreciation Right may be granted to a participant regardless of whether such participant has been granted a Stock Appreciation Right with respect to the same stock option.

(e) In the event of the exercise of a Limited Stock Appreciation Right, the number of shares reserved for issuance hereunder shall be reduced by the number of shares covered by the stock option or portion thereof surrendered.

10. RESTRICTED STOCK AWARDS. Restricted Stock Awards will consist of common shares transferred to participants without other payment therefor as additional compensation for their services to the Company or any of its subsidiaries. Restricted Stock Awards granted under this paragraph 10 shall be satisfied from the Company's available treasury shares. Restricted Stock Awards shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitation, restrictions on the sale or other disposition of such shares and rights of the Company to reacquire such shares upon termination of the participant's employment within specified periods. Subject to such other restrictions as are imposed by the Committee, the common shares covered by a Restricted Stock Award granted to a participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may be sold or otherwise disposed of only after six (6) months from the grant date of the award (unless such sale would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission). No more than ten percent (10%) of the total number of shares available for grant in any calendar year may be issued as Restricted Stock Awards under paragraphs 10 and 13 in that year.

11. PERFORMANCE AWARDS. Performance Awards in the form of Performance Units or Performance Shares may be granted to any participant in the Program. Performance Units shall consist of monetary awards which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time. Performance Shares shall consist of common shares or awards denominated in common shares which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time. The goals established by the Committee shall be based on any one, or combination of, earnings per share, return on equity, return on assets, total shareholder return, net operating income, cash flow, increase in revenue, economic value added, increase in share price or cash flow return on investment. Partial achievement of the goal(s) may result in a payment or vesting corresponding to the degree of achievement. Payment of an award earned may be in cash or in common shares or in a combination of both, and may be made when earned, or may be vested and deferred, as the Committee in its sole discretion determines. The maximum amount which may be granted under all Performance Awards for any one year for any one participant shall be Five Million Dollars ($5,000,000). This limit shall be applied to Performance Shares by multiplying the number of Performance Shares granted by the fair market value of one common share on the date of the award. This paragraph 11 is intended to comply with the performance-based compensation requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall be interpreted in accordance with the rules and regulations thereunder.

12. FOREIGN QUALIFIED BENEFITS. Benefits under the Program may be granted to such employees of the Company and its subsidiaries who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Program as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no Benefit shall be granted under any such supplement with terms or conditions which are inconsistent with the provisions as set forth under the Program.

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13. RESTRICTED STOCK AWARDS FOR NON-EMPLOYEE DIRECTORS.

(a) Each year, on the date of the annual shareholders meeting, each person who is elected a Non-Employee Director at the annual shareholders meeting shall be awarded both: (i) a Restricted Stock Award covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, an amount equal to six times the monthly fee in effect under Section 3.1 of the Abbott Laboratories Non-Employee Directors' Fee Plan on the date of the award and (ii) in the years 1996 through 2005, a Restricted Stock Award covering a number of common shares with a fair market value on the date of the award closest to, but not in excess of, Twenty-Two Thousand Dollars ($22,000) for awards made in years 1996 through 2000 and Twenty-Five Thousand Dollars ($25,000) for awards made in years 2001 through 2005.

(b) ISSUANCE OF CERTIFICATES. As soon as practicable following the date of the award the Company shall issue certificates ("Certificates") to the Non-Employee Director receiving the award, representing the number of common shares covered by the award. Each Certificate shall bear a legend describing the restrictions on such shares imposed by this paragraph 13.

(c) RIGHTS. Upon issuance of the Certificates, the directors in whose names they are registered shall, subject to the restrictions of this paragraph 13, have all of the rights of a shareholder with respect to the shares represented by the Certificates, including the right to vote such shares and receive cash dividends and other distributions thereon.

(d) RESTRICTED PERIOD. The shares covered by awards granted under this paragraph 13 may not be sold or otherwise disposed of within six (6) months following their grant date (unless such sale would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission) and in addition shall be subject to the restrictions of this paragraph 13 for a period (the "Restricted Period") commencing with the date of the award and ending on the earliest of the following events:

(i) The date the director terminates or retires from the Board;

(ii) The date the director dies; or

(iii) The date of occurrence of a Change in Control (as defined in paragraph 21(c)).

(e) RESTRICTIONS. All shares covered by awards granted under this paragraph 13 shall be subject to the following restrictions during the Restricted Period:

(i) The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

(ii) Any additional common shares of the Company or other securities or property issued with respect to shares covered by awards granted under this paragraph 13 as a result of any stock dividend, stock split or reorganization, shall be subject to the restrictions and other provisions of this paragraph 13.

(iii) A director shall not be entitled to receive any shares prior to completion of all actions deemed appropriate by the Company to comply with federal or state securities laws and stock exchange requirements.

(f) Except in the event of conflict, all provisions of the Program shall apply to this paragraph 13. In the event of any conflict between the provisions of the Program and this paragraph 13, this paragraph 13 shall control. Those provisions of paragraph 17 which authorize the Committee to declare outstanding restricted stock awards to be vested and to amend or modify the terms of Benefits shall not apply to awards granted under this paragraph 13. Restricted Stock Awards granted under this paragraph 13 shall be satisfied from the Company's available treasury shares.

14. NON-QUALIFIED STOCK OPTIONS FOR NON-EMPLOYEE DIRECTORS.

(a) Each Non-Employee Director may elect to receive any or all of his or her fees earned during the second half of 1996 and each subsequent calendar year under Section 3 of the Abbott Laboratories Non-Employee Directors' Fee Plan (the "Directors' Fee Plan") in the form of Non-qualified Stock Options under this Section 14. Each such election shall be irrevocable, and must be made in writing and filed with the Secretary of the Company by December 31, 1995 (for fees earned in the second half of 1996) and (for fees earned in subsequent calendar years) by June 30 of the calendar year preceding the calendar year in which such fees are earned (or such later date as may be permissible under Rule 16b-3 of the Securities and Exchange Commission, but in no event later than December 31 of such preceding calendar year).

(b) A Non-Employee Director may file a new election each calendar year applicable to fees earned in the immediately succeeding calendar year. If no new election or revocation of a prior election is received by June 30 of any calendar year (or such later date as may be permissible under paragraph (a)), the election, if any, in effect for such calendar year shall continue in effect for the immediately succeeding calendar year. Any election made under this Section 14 shall take precedence over any election made by the director for the same period, under the Directors' Fee Plan, to the extent necessary to resolve any conflict between such elections. If a director does not elect to receive his or her fees in the form of Non-qualified Stock Options, the fees due such director shall be paid or deferred as provided in the Directors' Fee Plan and any applicable election thereunder by the director.

(c) The number of common shares covered by each Non-qualified Stock Option granted in any year under this Section 14 shall be determined based on an independent appraisal for such year of the intrinsic value of options granted hereunder and the amount of fees covered by the director's election for such year. The number of common shares covered by options granted in 1996 (as determined under this procedure) shall be the number of whole shares equal to (i) the product of three (3) times the amount of fees which the director has elected under paragraph (a) to receive in the form of Non-qualified Stock Options, divided by (ii) One Hundred percent (100%) of the Fair Market Value of one common share on the grant date. Any fraction of a share shall be disregarded, and the remaining amount of the fees corresponding to such option shall be paid as provided in the Directors' Fee Plan and any applicable election thereunder by the director.

(d) Effective on October 10, 1997, each Non-qualified Stock Option due a director under this Section 14 prior to the 1998 annual shareholders meeting shall be granted on October 10, 1997 at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the common shares covered by such option on the grant date. Effective with the 1998 Annual Shareholders Meeting, each Non-qualified Stock Option due a director under this Section 14 shall be granted annually, on the date of the annual shareholders meeting, at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the common shares covered by such option on the grant date. Each such option shall be immediately exercisable and nonforfeitable, and shall not be exercisable after the expiration of ten (10) years from the date it is granted. Each such option shall contain provisions allowing payment of the purchase price and, to the extent permitted, any taxes due on exercise, by delivery of other common shares of the Company (or, in the case of the payment of taxes, by withholding of shares).

(e) All Non-qualified Stock Options granted under this Section 14 prior to October 10, 1997, shall be immediately exercisable and nonforfeitable, and shall not be exercisable after the expiration of ten (10) years from the date granted.

15. NONTRANSFERABILITY. Except as provided by the Committee, each stock option and stock appreciation right granted under this Program shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the participant's lifetime, only by the participant or the participant's guardian or legal representative.

16. OTHER PROVISIONS. The award of any Benefit under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other common shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Program.

In the case of a participant who is subject to Section 16(a) and 16(b) of the Securities Exchange Act of 1934, the Committee may, at any time, add such conditions and limitations to any Benefit granted to such participant, or any feature of any such Benefit, as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.

A participant may pay the purchase price of shares under stock options by delivery of a properly executed exercise notice together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

The Committee may, in its discretion and subject to such rules as it may adopt, permit or require a participant to pay all or a portion of the federal, state and local taxes, including FICA and medicare withholding tax, arising in connection with the following transactions: (a) the exercise of a Non-qualified Stock Option; (b) the lapse of restrictions on common shares received as a Restricted Stock Award; or (c) the receipt or exercise of any other Benefit; by (i) having the Company withhold common shares, (ii) tendering back common shares received in connection with such Benefit or (iii) delivering other previously acquired common shares of the Company having a fair market value approximately equal to the amount to be withheld.

The Committee may grant stock options under the Program (and, for stock options granted prior to shareholder approval of this Program, under the Company's 1991 Incentive Stock Program) that provide for the grant of replacement stock options if all or any portion of the purchase price or taxes incurred in connection with the exercise, are paid by delivery (or, in the case of payment of taxes, by withholding of shares) of other common shares of the Company. The replacement stock option shall cover the number of common shares surrendered to pay the purchase price, plus the number of shares surrendered or withheld to satisfy the participant's tax liability, shall have an exercise price equal to One Hundred percent (100%) of the Fair Market Value of such common shares on the date such replacement stock option is granted, shall first be exercisable six months from the date of grant of the replacement stock option and shall have an expiration date equal to the expiration date of the original stock option.

17. TERM OF PROGRAM AND AMENDMENT, MODIFICATION, CANCELLATION OR ACCELERATION OF BENEFITS. The Program shall continue in effect until terminated by the Board of Directors of the Company, except that no Incentive Stock Option shall be granted more than ten (10) years after the date of adoption of this Program. The terms and conditions applicable to any

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Benefits may at any time be amended, modified or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of common shares issuable under this Program; and provided further, that the Committee may, at any time and in its sole discretion, declare any or all stock options and stock appreciation rights then outstanding under this Program or the Prior Programs to be exercisable and any or all then outstanding Restricted Stock Awards to be vested, whether or not such options, rights or awards are then otherwise exercisable or vested.

18. AMENDMENT TO PRIOR PROGRAMS. No options or other Benefits shall be granted under the Prior Programs on or after the date of shareholder approval of this Program.

19. INDIVIDUAL LIMIT ON OPTIONS AND STOCK APPRECIATION RIGHTS; AGGREGATE LIMIT ON INCENTIVE STOCK OPTIONS. The maximum number of shares with respect to which Incentive Stock Options, Non-qualified Stock Options, Stock Appreciation Rights and Limited Stock Appreciation Rights may be granted to any one participant, in aggregate in any one calendar year, shall be One Million (1,000,000) shares. Incentive Stock Options with respect to no more than the lesser of (i) Seventy-Five Million (75,000,000) shares (plus any shares acquired by the Company pursuant to payment of the purchase price of shares under incentive stock options by delivery of other common shares of the Company), or (ii) the total number of shares reserved under paragraph 5 may be issued under the Plan.

20. TAXES. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Program after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

21. DEFINITIONS.

(a) FAIR MARKET VALUE. The Fair Market Value of the Company's common shares shall be the average of the highest and lowest sales prices of such shares as reported on the New York Stock Exchange Composite Reporting System for the date as of which the determination is to be made or in the absence of reported sales on that date, the average of such reported highest and lowest sales prices for the next preceding date on which reported sales occurred; provided that, in the case of any Limited Stock Appreciation Right (other than a right related to an Incentive Stock Option), the Fair Market Value shall be the higher of:

(i) The highest daily closing price of the Company's common shares during the sixty (60) day period following the Change in Control; or

(ii) The highest gross price paid or to be paid for the Company's common shares in any of the transactions described in paragraphs 21(c)(i) and 21(c)(ii).

(b) SUBSIDIARY. The term "subsidiary" for all purposes other than the Incentive Stock Option provisions in paragraph 6, shall mean any corporation, partnership, joint venture or business trust, fifty percent (50%) or more of the control of which is owned, directly or indirectly, by the Company. For Incentive Stock Option purposes the term "subsidiary" shall be defined as provided in Internal Revenue Code Section 424(f).

(c) CHANGE IN CONTROL. 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, or to merge another corporation into the Company, 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 of another corporation, or other property, other than a merger or consolidation 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 or its parent 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.

(d) DISABILITY. The term "disability" for all purposes of the Program shall mean the participant's disability as defined in subsection 4.1(a) of the Abbott Laboratories Extended Disability Plan for twelve (12) consecutive months.

22. ADJUSTMENT PROVISIONS.

(a) If the Company shall at any time change the number of issued common shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of shares reserved for issuance under this Program, the individual and aggregate limits described in paragraph 19, and the number of shares covered by each outstanding Benefit shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Benefit shall not be changed. The Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the Company or in the common shares resulting from reorganization, sale, merger, consolidation, spin-off or similar occurrence.

(b) Notwithstanding any other provision of this Program, and without affecting the number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) Subject to the six month holding requirements of paragraphs 6, 7, 8(c), 9(c), 10 and 13(d) but notwithstanding any other provision of this Program or the Prior Programs, upon the occurrence of a Change in Control:

(i) All stock options then outstanding under this Program or the Prior Programs shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(ii) All Stock Appreciation Rights and Limited Stock Appreciation Rights then outstanding shall become fully exercisable as of the date of the Change in Control, whether or not then otherwise exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied as of the date of the Change in Control; and

(iv) All Performance Awards then outstanding shall be deemed to have been fully earned and to be immediately payable, in cash, as of the date of the Change in Control.

23. AMENDMENT AND TERMINATION OF PROGRAM. The Board of Directors of the Company may amend the Program from time to time or terminate the Program at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. To the extent required for compliance with Rule 16b-3 of the Securities and Exchange Commission, paragraph 13 of the Program may not be amended more frequently than once every six months other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules thereunder, and no amendment of the Program shall result in any Committee member losing his or her status as a "disinterested person" as defined in Rule 16b-3 of the Securities and Exchange Commission with respect to any employee benefit plan of the Company or result in the Program or awards thereunder losing their exempt status under said Rule 16b-3.

24. SHAREHOLDER APPROVAL. The Program was adopted by the Board of Directors of the Company on October 13, 1995. The Program and any Benefit granted thereunder shall be null and void if shareholder approval is not obtained by October 12, 1996.

EXHIBIT 11

ABBOTT LABORATORIES AND SUBSIDIARIES

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(DOLLARS AND SHARES IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
BASIC EARNINGS PER SHARE:	1997	1996	1995
1. NET EARNINGS	$2,094.5	$1,882.0	$1,688.7
2. AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE YEAR	769.9	781.2	795.4
3. EARNINGS PER SHARE BASED UPON AVERAGE OUTSTANDING SHARES (1 DIVIDED BY 2)	$ 2.72	$ 2.41	$ 2.12
DILUTED EARNINGS PER SHARE:			
1. NET EARNINGS	$2,094.5	$1,882.0	$1,688.7
2. AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE YEAR	769.9	781.2	795.4
3. ADDITIONAL SHARES ASSUMING FULL DILUTION:			
A. WEIGHTED AVERAGE STOCK OPTIONS GRANTED AND OUTSTANDING FOR WHICH THE MARKET EXCEEDS THE OPTION PRICE	31.5	31.8	25.6
B. AGGREGATE PROCEEDS TO THE COMPANY FROM THE EXERCISE OF OPTIONS IN 3.A.:			
1. CASH RECEIVED UPON EXERCISE	$1,197.0	$ 991.7	$ 629.6
2. TAX BENEFITS TO BE CREDITED TO EQUITY	71.2	43.9	34.2
TOTAL PROCEEDS (SUM OF 1 - 2)	$1,268.2	$1,035.6	$ 663.8
C. AVERAGE MARKET PRICE OF THE COMPANY'S STOCK	$ 61.46	$ 45.51	$ 38.43
D. SHARES WHICH COULD BE REPURCHASED UNDER THE TREASURY STOCK METHOD (3.B. DIVIDED BY 3.C.)	20.6	22.8	17.3
E. ADDITION TO AVERAGE OUTSTANDING SHARES (3.A. - 3.D.)	10.9	9.0	8.3
F. SHARES FOR FULLY DILUTED EARNINGS PER SHARE CALCULATION (2. + 3.E.)	780.7	790.3	803.7
G. FULLY DILUTED EARNINGS PER SHARE (1. DIVIDED BY 3.F.)	$ 2.68	$ 2.38	$ 2.10

EXHIBIT 12

ABBOTT LABORATORIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

(MILLIONS OF DOLLARS EXCEPT RATIOS)

	YEAR ENDED DECEMBER 31				
	1997	1996	1995	1994	1993
NET EARNINGS	$2,094	$1,882	$1,689	$1,517	$1,399
ADD (DEDUCT):					
INCOME TAXES	855	788	706	650	544
CAPITALIZED INTEREST COST, NET OF AMORTIZATION	(1)	(4)	(7)	(7)	(6)
EQUITY IN EARNINGS OF 20%-49% OWNED COMPANIES, LESS DIVIDENDS RECEIVED	. . .	. . .	2	...	(1)
MINORITY INTEREST	11	16	18	12	13
NET EARNINGS AS ADJUSTED	$2,959	$2,682	$2,408	$2,172	$1,949
FIXED CHARGES:					
INTEREST ON LONG-TERM AND SHORT-TERM DEBT	$ 135	$ 95	$ 70	$ 50	$ 54
CAPITALIZED INTEREST COST	14	16	19	18	16
RENTAL EXPENSE REPRESENTATIVE OF AN INTEREST FACTOR	29	26	26	26	26
TOTAL FIXED CHARGES	178	137	115	94	96
TOTAL ADJUSTED EARNINGS AVAILABLE FOR PAYMENT OF FIXED CHARGES	$3,137	$2,819	$2,523	$2,266	$2,045
RATIO OF EARNINGS TO FIXED CHARGES	17.6	20.6	21.9	24.1	21.3

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, 1997 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 1993 through 1997.

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

(Dollars and Shares in Thousands Except Per Share Data)

	Year Ended December 31		
	1997	1996	1995
Net Sales	$11,883,462	$11,013,460	$10,012,194
Cost of products sold	5,045,678	4,731,998	4,325,805
Research and development	1,302,403	1,204,841	1,072,745
Selling, general and administrative	2,684,955	2,459,560	2,230,740
Total Operating Cost and Expenses	9,033,036	8,396,399	7,629,290
Operating Earnings	2,850,426	2,617,061	2,382,904
Interest expense	134,550	95,445	69,532
Interest income	(47,748)	(44,521)	(51,783)
Other (income) expense, net	(186,322)	(103,413)	(30,164)
Earnings Before Taxes	2,949,946	2,669,550	2,395,319
Taxes on earnings	855,484	787,517	706,619
Net Earnings	$2,094,462	$ 1,882,033	$1,688,700
Basic Earnings Per Common Share	$2.72	$2.41	$2.12
Diluted Earnings Per Common Share	$2.68	$2.38	$2.10
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	769,873	781,247	795,362
Dilutive Common Stock Options	10,858	9,049	8,300
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	780,731	790,296	803,662
Outstanding Employee Common Stock Options Having No Dilutive Effect	1,108	300	5,678

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		
	1997	1996	1995
Cash Flow From (Used in) Operating Activities:			
Net earnings	$2,094,462	$1,882,033	$1,688,700
Adjustments to reconcile net earnings to net cash from operating activities -			
Depreciation and amortization.	727,754	686,085	566,423
Exchange (gains) losses, net	31,005	(3,419)	5,035
Investing and financing (gains) losses, net.	113,999	57,224	43,020
Trade receivables.	(222,427)	(163,621)	(91,349)
Inventories.	(98,964)	(125,726)	(93,184)
Prepaid expenses and other assets.	(491,769)	(303,766)	(255,764)
Trade accounts payable and other liabilities	485,407	342,407	256,549
Income taxes payable	(10,700)	10,845	(153,849)
Net Cash From Operating Activities.	2,628,767	2,382,062	1,965,581
Cash Flow From (Used in) Investing Activities:			
Acquisition of Sanofi's parenteral products businesses in 1997, and MediSense in 1996, net of cash acquired.	(200,475)	(830,559)	-
Acquisitions of property, equipment and other businesses.	(1,007,296)	(949,028)	(947,021)
Purchases of investment securities	(25,115)	(312,535)	(183,443)
Proceeds from sales of investment securities	43,424	117,783	67,130
Other.	(8,209)	19,098	25,611
Net Cash Used in Investing Activities.	(1,197,671)	(1,955,241)	(1,037,723)
Cash Flow From (Used in) Financing Activities:			
Proceeds from borrowings with original maturities of more than three months	115,934	504,652	353,317
Repayments of borrowings with original maturities of more than three months	(7,678)	(72,016)	(221,506)
Proceeds from other borrowings	309,829	402,401	282,754
Purchases of common shares	(1,054,512)	(808,816)	(771,411)
Proceeds from stock options exercised.	137,482	109,638	76,540
Dividends paid	(809,554)	(728,147)	(653,567)
Net Cash Used in Financing Activities.	(1,308,499)	(592,288)	(933,873)

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Dollars in Thousands)

	Year Ended December 31		
	1997	1996	1995
Effect of exchange rate changes on cash and cash equivalents	(2,782)	(5,521)	(3,060)
Net Increase (Decrease) in Cash and Cash Equivalents	119,815	(170,988)	(9,075)
Cash and Cash Equivalents, Beginning of Year	110,209	281,197	290,272
Cash and Cash Equivalents, End of Year	$ 230,024	$ 110,209	$ 281,197
Supplemental Cash Flow Information:			
Income taxes paid	$ 922,242	$ 801,107	$ 954,861
Interest paid	132,645	89,509	67,917

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		
	1997	1996	1995
Current Assets:			
Cash and cash equivalents	$ 230,024	$ 110,209	$ 281,197
Investment securities	28,986	12,875	34,500
Trade receivables, less allowances of - 1997: $167,406; 1996: $153,424; 1995: $157,990	1,782,326	1,708,807	1,563,038
Inventories -			
Finished products	667,355	627,449	560,637
Work in process	287,653	269,443	238,943
Materials	324,892	341,313	311,361
Total inventories	1,279,900	1,238,205	1,110,941
Prepaid income taxes	800,591	708,402	651,436
Other prepaid expenses and receivables	916,381	702,404	585,599
Total Current Assets	5,038,208	4,480,902	4,226,711
Investment Securities Maturing after One Year	630,967	665,553	422,547
Property and Equipment, at Cost:			
Land	152,791	156,038	152,401
Buildings	1,746,772	1,621,036	1,531,202
Equipment	6,486,512	6,142,139	5,518,210
Construction in progress	404,082	451,070	560,629
	8,790,157	8,370,283	7,762,442
Less: accumulated depreciation and amortization	4,220,466	3,908,740	3,512,904
Net Property and Equipment	4,569,691	4,461,543	4,249,538
Net Intangible Assets	1,112,126	979,793	155,580
Deferred Charges and Other Assets	710,076	537,809	358,204
	$12,061,068	$11,125,600	$9,412,580

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		
	1997	1996	1995
Current Liabilities:			
Short-term borrowings and current portion of long-term debt	$ 1,781,352	$ 1,383,727	$1,049,863
Trade accounts payable	1,001,058	923,018	755,921
Salaries, wages and commissions	332,914	322,292	286,186
Other accrued liabilities	1,406,132	1,206,552	1,217,016
Dividends payable	201,450	185,866	165,354
Income taxes payable	311,562	322,262	315,974
Total Current Liabilities	5,034,468	4,343,717	3,790,314
Long-Term Debt	937,983	932,898	435,198
Deferred Income Taxes	136,514	153,279	67,993
Other Liabilities and Deferrals	953,426	875,524	722,228
Shareholders' Investment:			
Preferred shares, one dollar 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 - Shares: 1997: 773,234,252; 1996: 784,037,858; 1995: 797,021,211	907,106	694,380	581,562
Earnings employed in the business	4,427,997	4,262,804	3,926,917
Cumulative translation adjustments	(262,656)	(78,770)	(55,646)
	5,072,447	4,878,414	4,452,833
Less:			
Common shares held in treasury, at cost - Shares: 1997: 9,140,199; 1996: 9,588,632; 1995: 9,714,379	48,238	50,605	51,268
Unearned compensation - restricted stock awards	25,532	7,627	4,718
Total Shareholders' Investment	4,998,677	4,820,182	4,396,847
	$12,061,068	$11,125,600	$9,412,580

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

(Dollars in Thousands Except Per Share Data)

	Year Ended December 31		
	1997	1996	1995
Common Shares:			
Beginning of Year Shares: 1997: 784,037,858; 1996: 797,021,211; 1995: 813,046,602.	$ 694,380	$ 581,562	$ 505,170
Issued under incentive stock programs Shares: 1997: 7,634,213; 1996: 5,103,701; 1995: 4,332,070.	177,395	105,648	70,842
Tax benefit from option shares and vesting of restricted stock awards (no share effect).	53,866	21,589	19,303
Retired - Shares: 1997: 18,437,819; 1996: 18,087,054; 1995: 20,357,461.	(18,535)	(14,419)	(13,753)
End of Year Shares: 1997: 773,234,252; 1996: 784,037,858; 1995: 797,021,211.	$ 907,106	$ 694,380	$ 581,562
Earnings Employed in the Business:			
Beginning of Year.	$4,262,804	$3,926,917	$3,652,434
Net earnings	2,094,462	1,882,033	1,688,700
Unrealized gain on marketable equity securities, net of tax	1,815	9,000	21,600
Cash dividends declared on common shares (per share -1997: $1.08; 1996: $.96; 1995: $.84).	(825,138)	(748,659)	(666,406)
Cost of common shares retired in excess of stated capital amount	(1,129,757)	(811,996)	(771,263)
Cost of treasury shares issued below market value of restricted stock awards	23,811	5,509	1,852
End of Year.	$4,427,997	$4,262,804	$3,926,917
Cumulative Translation Adjustments:			
Beginning of Year.	$ (78,770)	$ (55,646)	$ (51,124)
Translation adjustments.	(183,886)	(23,124)	(4,522)
End of Year.	$ (262,656)	$ (78,770)	$ (55,646)

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT (CONTINUED)

(Dollars in Thousands Except Per Share Data)

	Year Ended December 31		
	1997	1996	1995
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 1997: 9,588,632; 1996: 9,714,379; 1995: 9,766,880	$ 50,605	$ 51,268	$ 51,545
Issued under incentive stock programs			
Shares: 1997: 448,433; 1996: 125,747; 1995: 52,501	(2,367)	(663)	(277)
End of Year			
Shares: 1997: 9,140,199; 1996: 9,588,632; 1995: 9,714,379	$ 48,238	$ 50,605	$ 51,268
Unearned Compensation - Restricted Stock Awards:			
Beginning of Year	$ 7,627	$ 4,718	$ 5,535
Issued at market value - Shares: 1997: 444,000; 1996: 118,800; 1995: 45,000	25,914	5,881	1,829
Lapses - Shares: 1996: 6,000; 1995: 4,800	-	(308)	(137)
Amortization	(8,009)	(2,664)	(2,509)
End of Year	$ 25,532	$ 7,627	$ 4,718

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

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.

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.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less.

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 the straight-line method over the estimated useful lives of the assets.

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, 1997, 1996, and 1995, was $98 million, $55 million, and $26 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 other (income) expense, net. For remaining foreign operations, translation adjustments are included as a component of shareholders' investment.

REVENUE RECOGNITION

The Company recognizes revenue from product sales 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.

EARNINGS PER COMMON SHARE

In 1997, the Company adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share." As a result, the Company's calculation for previously reported earnings per share and earnings per share assuming dilution has changed. This change has no effect on the previously reported earnings per share, and only a minor effect on the earnings per share assuming dilution. Subsequent to year end, the Board of Directors granted approximately 6.5 million stock options to employees of the Company.

Note 2 - 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 $1,549,000 at December 31, 1997. Deferred income taxes not provided on these earnings would be approximately $319,000.

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

Earnings Before Taxes	1997	1996	1995
Domestic	$2,236,393	$1,934,872	$1,711,188
Foreign	713,553	734,678	684,131
Total	$2,949,946	$2,669,550	$2,395,319

Taxes on Earnings	1997	1996	1995
Current:			
U.S. Federal and Possessions	$ 717,156	$ 573,208	$ 495,692
State	71,447	62,835	47,656
Foreign	171,259	207,512	251,339
Total current	959,862	843,555	794,687
Deferred:			
Domestic	(130,634)	(68,762)	(81,264)
Foreign	26,836	13,338	(6,332)
Enacted tax rate changes	(580)	(614)	(472)
Total deferred	(104,378)	(56,038)	(88,068)
Total	$ 855,484	$ 787,517	$ 706,619

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

	1997	1996	1995
Statutory tax rate	35.0%	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico, the Dominican Republic, Italy, Ireland, and The Netherlands	(6.1)	(6.5)	(5.7)
State taxes, net of federal benefit	1.6	1.5	1.3
All other, net	(1.5)	(0.5)	(1.1)
Effective tax rate	29.0%	29.5%	29.5%

As of December 31, 1997, 1996, and 1995, total deferred tax assets were $1,144,915, $997,036, and $858,045, respectively, and total deferred tax liabilities were $461,943, $427,412, and $265,388, 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:

	1997	1996	1995
Compensation and employee benefits	$ 205,423	$ 185,537	$ 161,547
Trade receivable reserves	176,070	130,692	126,209
Inventory reserves	119,398	122,522	101,835
Deferred intercompany profit	135,211	112,467	97,555
State income taxes	32,442	30,343	25,602
Depreciation	(196,233)	(184,270)	(178,025)
Other, primarily other accruals, reserves and intangible assets not currently deductible	191,766	157,832	248,720
Total	$ 664,077	$ 555,123	$ 583,443

Note 3 - Financial Instruments

The Company enters into foreign currency forward exchange contracts to hedge intercompany loans and trade accounts payable where the functional currency of the lending and borrowing entities are not the same. 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 Japanese yen and European currencies, 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, Japanese yen and European currencies. At December 31, 1997, 1996, and 1995, the Company held $1.3 billion, $1.0 billion, and $723 million, respectively, of foreign currency forward exchange contracts. The contracts outstanding at December 31, 1997 mature in 1998. 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 purchases U.S. dollar call options as a hedge of anticipated intercompany purchases by foreign 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 Japanese yen and European currencies, at predetermined exchange rates. At December 31, 1997, 1996, and 1995, the Company held $461 million, $431 million, and $330 million, respectively, of U.S. dollar call option contracts. The contracts outstanding at December 31, 1997 mature in 1998. 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 Japanese yen and European currencies, 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, 1997, 1996, and 1995.

The gross unrealized holding gains/(losses) on current investment securities and those maturing after one year totaled $4.1 million and $(10.2) million at December 31, 1997, respectively; $4.2 million and $(11.0) million at December 31, 1996, respectively; and $5.6 million and $(4.3) million at December 31, 1995, respectively.

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)

	1997		1996		1995	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment Securities:						
Current	$ 29.0	$ 29.1	$ 12.9	$ 12.7	$ 34.5	$ 34.6
Maturing after One Year	631.0	624.8	665.6	659.0	422.5	423.7
Total Long-Term Debt	(940.6)	(946.0)	(935.2)	(917.0)	(436.6)	(441.8)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(6.2)	(6.2)	(10.9)	(10.9)	(2.6)	(2.6)
Receivable position	24.1	24.1	18.6	18.6	5.2	5.2
Foreign Currency Option Contracts	14.8	15.3	2.8	1.6	10.6	7.8

Note 4 - Debt and Lines of Credit
(dollars in thousands)

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

	1997	1996	1995
6.5% debentures, due 2001.	$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	-
Other, primarily industrial revenue bonds at various rates of interest, averaging 5.2% at December 31, 1997, and due at various dates through 2023	87,983	82,898	85,198
Total, net of current maturities	$937,983	$932,898	$435,198

Payments required on long-term debt outstanding at December 31,1997 are $2,585 in 1998, $800 in 1999, $9,000 in 2000, $250,000 in 2001, and $1,000 in 2002.

At December 31, 1997, the Company had $1,505,000 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 6.0% at December 31, 1997, and 5.8% at December 31, 1996 and 1995.

The Company may issue up to $400,000 of senior debt securities in the future under a registration statement filed with the Securities and Exchange Commission in 1996.

Note 5 - Retirement Plans
(dollars in thousands)

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

Pension benefits for the Company's defined benefit plans generally are based on an employee's years of service and compensation near retirement. Certain plan benefits would vest and certain restrictions on the use of plan assets would take effect upon a change in control of the Company.

Net pension cost for the Company's significant defined benefit plans includes the following components:

	1997	1996	1995
Service cost - benefits earned during the year	$ 97,272	$ 81,243	$ 59,636
Interest cost on projected benefit obligations	128,404	111,449	94,101
Return on assets	(377,828)	(224,412)	(274,844)
Net amortization and deferral	222,424	80,886	139,491
Net pension cost	$ 70,272	$ 49,166	$ 18,384

The plans' funded status at December 31 was as follows:

	1997	1996	1995
Actuarial present value of benefit obligations -			
Vested benefits	$1,460,866	$1,338,376	$1,036,937
Nonvested benefits	170,275	163,033	140,232
Accumulated benefit obligations	$1,631,141	$1,501,409	$1,177,169
Plans' assets at fair value, principally listed securities	$2,192,486	$1,828,989	$1,600,368
Actuarial present value of projected benefit obligations	2,000,329	1,771,191	1,494,348
Projected benefit obligations less than plans' assets	192,157	57,798	106,020
Unrecognized net transitional asset	(32,085)	(42,728)	(52,915)
Unrecognized prior service cost	9,053	11,968	12,532
Unrecognized net (gain) loss	(78,522)	51,531	(11,315)
Net prepaid pension cost	$ 90,603	$ 78,569	$ 54,322

Assumptions used for the Company's major defined benefit plan as of December 31 include:

	1997	1996	1995
Discount rate for determining obligations and interest cost.	7 1/4%	7 1/2%	7 1/4%
Expected aggregate average long-term change in compensation.	5%	5%	4%
Expected long-term rate of return on assets.	9 1/2%	9%	9%

The Stock Retirement Plan is the principal defined contribution plan. Company contributions to this plan were $60,838 in 1997, $54,883 in 1996, and $48,845 in 1995, equal to 7.33 percent of dividends declared, as provided under the plan.

The Company provides certain medical and dental benefits to qualifying domestic retirees. Net post-retirement health care cost includes the following components:

	1997	1996	1995
Service cost - benefits earned during the year	$28,274	$28,302	$21,328
Interest cost on accumulated post-retirement benefit obligations.	42,167	40,822	36,412
Return on assets	(17,009)	(9,372)	(16,798)
Net amortization and deferral.	13,262	7,128	11,980
Net post-retirement health care cost	$66,694	$66,880	$52,922

The plans' funded status at December 31 was as follows:

	1997	1996	1995
Actuarial present value of benefit obligations -			
Retirees	$ 213,313	$ 196,800	$ 174,782
Fully eligible active participants	150,348	138,564	131,669
Other active participants.	282,787	264,267	250,518
Accumulated post-retirement benefit obligations.	646,448	599,631	556,969
Plans' assets at fair value, principally listed securities	86,600	87,719	95,530
Accumulated post-retirement benefit obligations in excess of plans' assets	(559,848)	(511,912)	(461,439)
Unrecognized net loss.	133,379	152,030	168,307
Accrued post-retirement health care cost	$(426,469)	$(359,882)	$(293,132)

The discount rate and expected long-term rate of return on assets assumptions are identical to those used for the Company's major defined benefit plan. A five percent annual rate of increase in the per capita cost of covered health care benefits is assumed. A one-percentage-point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligations as of December 31, 1997, by approximately $127,600, and the total of the service and interest cost components of net post-retirement health care cost for the year then ended by approximately $17,500.

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 - Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance units, and foreign qualified benefits. 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 the option is ten years. Options granted in 1997, 1996, and 1995 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 related stock options, only upon a change in control of the Company. At December 31, 1997, 5,955,411 options, with a weighted average exercise price of $44.28 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 December 31, 1997, 9,324,161 shares were reserved for future grants under the 1996 Program. 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, 1995	28,288,158	$ 23.77		
Granted	5,827,269	39.17		
Exercised	(4,332,070)	16.28		
Lapsed	(282,570)	33.81		
December 31, 1995	29,500,787	27.82	18,654,652	$ 23.40
Granted	6,121,564	43.96		
Exercised	(5,103,701)	20.38		
Lapsed	(281,555)	40.39		
December 31, 1996	30,237,095	32.22	19,957,414	27.51
Granted	7,101,749	59.45		
Exercised	(7,634,213)	22.75		
Lapsed	(376,508)	48.36		
December 31, 1997	29,328,123	$41.08	16,772,166	$33.12

	Options Outstanding at December 31, 1997			Exercisable Options at December 31, 1997	
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$12 to $32	4,770,880	4.4	$25.50	4,768,846	$25.50
$33 to $40	11,973,985	5.5	35.27	10,222,270	34.61
$41 to $69	12,583,258	8.7	52.50	1,781,050	44.97
$12 to $69	29,328,123	6.7	$41.08	16,772,166	$33.12

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 in 1997, 1996 and 1995, pro forma net income for 1997, 1996, and 1995 would have been $2.030 billion, $1.845 billion and $1.674 billion, respectively, and pro forma basic earnings per common share for 1997, 1996 and 1995 would have been $2.64, $2.36 and $2.11, respectively. The weighted average fair value of an option granted in 1997, 1996 and 1995, was $16.43, $11.63 and $11.37, 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:

	1997	1996	1995
Risk-Free Interest Rate	6.00%	5.25%	6.75%
Average Life of Options (years)	5.2	5.2	5.2
Volatility	25.0%	25.0%	25.0%
Dividend Yield	1.9%	1.9%	2.1%

Note 7 - Investment Securities
(dollars in thousands)

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

	1997	1996	1995
Current Investment Securities			
Time deposits and certificates of deposit	$ 25,700	$ 800	$ 10,000
Other, primarily debt obligations issued or guaranteed by various governments or government agencies.	3,286	12,075	24,500
Total.	$ 28,986	$ 12,875	$ 34,500

	1997	1996	1995
Investment Securities Maturing after One Year			
Time deposits and certificates of deposit, maturing through 2001.	$406,500	$432,200	$161,500
Corporate debt obligations, maturing through 2008.	82,143	84,310	86,728
Debt obligations issued or guaranteed by various governments or government agencies, maturing through 2023.	142,324	149,043	174,319
Total.	$630,967	$665,553	$422,547

The Company generally holds investment securities until maturity. All investment securities classified as current as of December 31, 1997 mature in 1998.

Of the investment securities listed above, $656,634, $676,251, and $452,445, were held at December 31, 1997, 1996, and 1995, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring from 2002 through 2007. In addition, these subsidiaries held cash equivalents of $81,100 and $197,600 at December 31, 1997, and 1995, respectively.

Note 8 - Investment in TAP Holdings Inc.
(dollars in millions)

The Company's 50 percent owned joint venture, TAP Holdings Inc., (TAP) is accounted for under the equity method of accounting. Other (income) expense, net, includes the Company's share of TAP's income of $189, $130, and $75 in 1997, 1996, and 1995, respectively. The investment in TAP is included in deferred charges and other assets and was $311, $185, and $75 at December 31, 1997, 1996, and 1995, respectively. Dividends received from TAP were $63, $20, and $62 in 1997, 1996, and 1995, respectively. Summarized financial information for TAP is as follows:

	Year Ended December 31		
	1997	1996	1995
Net Sales	$1,565.8	$1,128.6	$ 750.3
Income before income taxes	612.4	426.7	246.6
Net income	379.0	259.4	149.5

	December 31		
	1997	1996	1995
Current assets	$ 727.5	$ 439.0	$ 193.6
Total assets	847.9	577.1	359.6
Current liabilities	223.2	198.5	178.7

Note 9 - Quarterly Results (Unaudited)

(dollars in millions except per share data)

	1997	1996	1995
FIRST QUARTER			
Net Sales	$2,999.8	$2,672.2	$2,524.4
Gross Profit	1,672.5	1,516.0	1,435.5
Net Earnings	534.8	480.1	417.3
Basic Earnings Per Common Share	.69	.61	.52
Diluted Earnings Per Common Share	.68	.60	.52
SECOND QUARTER			
Net Sales	$2,900.4	$2,699.2	$2,500.3
Gross Profit	1,683.4	1,555.3	1,414.3
Net Earnings	521.5	470.4	424.0
Basic Earnings Per Common Share	.68	.60	.53
Diluted Earnings Per Common Share	.67	.60	.52
THIRD QUARTER			
Net Sales	$2,865.2	$2,646.2	$2,390.8
Gross Profit	1,623.3	1,468.9	1,320.5
Net Earnings	471.5	420.9	382.0
Basic Earnings Per Common Share	.61	.54	.48
Diluted Earnings Per Common Share	.60	.53	.47
FOURTH QUARTER			
Net Sales	$3,118.1	$2,995.9	$2,596.7
Gross Profit	1,858.6	1,741.3	1,516.1
Net Earnings	566.7	510.6	465.4
Basic Earnings Per Common Share	.74	.66	.59
Diluted Earnings Per Common Share	.73	.65	.59

Note 10 - 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. 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 investigating potential contamination at a number of Company-owned locations.

The prescription pharmaceutical pricing antitrust suits 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. The Company has filed or intends to file a response to each of the complaints denying all substantive allegations.

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.

Note 11 - Business Acquisitions

In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc., for approximately $200 million. 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. Of the cash purchase price of approximately $867 million, $219 million was allocated to goodwill; $635 million was allocated to other intangible assets; and $37 million was charged against earnings for in-process research and development. Goodwill and other intangible assets will be amortized on a straight-line basis over 25 to 40 years. 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 73% of the capital stock of a Japanese subsidiary. In 1996, the Company entered into an agreement with the minority interest shareholder to purchase their then 30% ownership over a ten-year period, beginning in 1997.

Note 12 - Subsequent Event

On February 13, 1998, the Company announced a two-for-one stock split. Shareholders of record at the close of business on May 1, 1998 will be issued an additional share of the Company's common stock on May 29, 1998 for each share owned on the record date. The number of shares and the per share amounts included in the December 31, 1997, financial statements have not been restated for the stock split.

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

The Company's principal business is the discovery, development, manufacture, and sale of a broad and diversified 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. These products have been classified into the following industry segments:

PHARMACEUTICAL AND NUTRITIONAL PRODUCTS - Included are 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.

HOSPITAL AND LABORATORY PRODUCTS - Included are diagnostic systems for consumers, 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; diagnostic imaging; and other medical specialty products for hospitals and alternate care sites.

In the following tables, net sales by industry segment and geographic area include both sales to customers, as reported in the Consolidated Statement of Earnings, and inter-area sales (for geographic areas) at sales prices which approximate market. Operating profit excludes corporate expenses.

Industry Segments (a)	1997	1996	1995
Net Sales			
Pharmaceutical and nutritional	$ 6,922	$ 6,307	$ 5,629
Hospital and laboratory	4,961	4,706	4,383
Total	$11,883	$11,013	$10,012
Operating Profit			
Pharmaceutical and nutritional	$ 2,217	$ 1,898	$ 1,586
Hospital and laboratory	712	810	853
Operating Profit	2,929	2,708	2,439
Corporate (income) expense, net (b)	(108)	(13)	26
Interest (income) expense, net	87	51	18
Earnings Before Taxes	$ 2,950	$ 2,670	$ 2,395
Identifiable Assets			
Pharmaceutical and nutritional	$ 4,370	$ 4,117	$ 3,866
Hospital and laboratory (c)	5,211	4,977	3,782
General corporate (d)	2,480	2,032	1,765
Total	$12,061	$11,126	$ 9,413
Capital Expenditures			
Pharmaceutical and nutritional	$ 384	$ 374	$ 459
Hospital and laboratory	616	571	483
General corporate	7	4	5
Total	$ 1,007	$ 949	$ 947
Depreciation and Amortization			
Pharmaceutical and nutritional	$ 299	$ 285	$ 252
Hospital and laboratory (c)	426	397	311
General corporate	3	4	3
Total	$ 728	$ 686	$ 566

(a) Net sales and operating profit in 1997 and 1996 were unfavorably affected by the relatively stronger U.S. dollar, and in 1995, were favorably impacted by the relatively weaker U.S. dollar.

(b) Corporate expenses not allocated to segments include results from joint ventures, net foreign exchange (gains)/losses, minority interest expense and other general corporate income and expense. Net foreign exchange reflects a gain of $(9.0) in 1997, and losses of $21.8 in 1996 and $25.2 in 1995.

(c) In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc. In 1996, the Company acquired all of the outstanding shares of MediSense, Inc.

(d) General corporate assets are principally prepaid income taxes, cash and cash equivalents, investment securities, and investments in joint ventures.

Geographic Areas (a)	1997	1996	1995
Net Sales			
United States:			
Domestic and export customers.	$ 7,472	$ 6,786	$ 6,121
Inter-area	1,776	1,762	1,371
Total United States.	9,248	8,548	7,492
Latin America.	685	619	540
Europe, Mideast and Africa	2,188	2,135	1,918
Pacific, Far East and Canada	1,538	1,473	1,433
Eliminations	(1,776)	(1,762)	(1,371)
Total.	$11,883	$11,013	$10,012
Operating Profit			
United States.	$ 2,239	$ 2,012	$ 1,653
Latin America.	164	167	177
Europe, Mideast and Africa	377	381	385
Pacific, Far East and Canada	203	229	234
Eliminations	(58)	(93)	(10)
Total.	$ 2,925	$ 2,696	$ 2,439
Identifiable Assets, Excluding General Corporate Assets (c) (d)			
United States	$ 6,732	$ 6,120	$ 5,081
Latin America	497	436	330
Europe, Mideast and Africa	1,712	1,817	1,517
Pacific, Far East and Canada	988	1,015	927
Eliminations	(348)	(294)	(207)
Total.	$ 9,581	$ 9,094	$ 7,648

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, 1997, 1996, and 1995, 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, 1997, 1996, and 1995, 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 15, 1998
(except with respect to the
matter discussed in Note 12,
as to which the date is
February 13, 1998)

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 1997. 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.

Duane L. Burnham
Chairman and 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, 1997 the Company had $1.7 billion of domestic commercial paper outstanding with an average interest rate of 6.0% and with an average remaining life of 11 days. The fair market value of long-term debt at December 31, 1997 amounted to $946 million and consists primarily of fixed rate (average of 6.3%) debt with maturities through 2023. As of December 31, 1997 the fair market value of current and long-term investment securities, maturing through 2023, amounted to $654 million. Approximately one-third of these investments have fixed interest rates (average of 7.5%), while the remaining investments have variable rates. A hypothetical 10% 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 which resulted from strategic technology acquisitions and other investments. The market value of these investments amounted to approximately $119 million as of December 31, 1997. A hypothetical 10% decrease in the share prices of these investments would not have a material effect on market value of these investments.

FOREIGN CURRENCY SENSITIVE FINANCIAL INSTRUMENTS - PURCHASED U.S. DOLLAR CALL OPTIONS

The Company purchases U.S. dollar call options as a hedge of anticipated intercompany purchases by foreign subsidiaries whose functional currency, primarily Japanese yen and European currencies, is not the U.S. dollar. At December 31, 1997, the Company held $461 million of these contracts. Unamortized premiums for these contracts amounted to $15 million as of December 31, 1997, 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, 1997, the Company held $1.3 billion of such contracts which all mature in 1998. The following table reflects the contracts outstanding at December 31, 1997:

Abbott Laboratories and Subsidiaries

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
(Unaudited)

FORWARD EXCHANGE CONTRACTS
(dollars in millions)

	Contract Amount	Average Exchange Rate	Fair and Carrying Value
RECEIVE U.S. DOLLARS IN EXCHANGE FOR THE FOLLOWING CURRENCIES:			
German Deutsche Mark	$ 304	1.147	$ 1.9
Spanish Peseta	151	146.3	3.0
Japanese Yen	122	122.8	3.7
Dutch Guilder	106	1.98	0.5
British Pound	70	.597	2.1
Italian Lira	59	1,713	0.5
French Franc	33	5.82	0.5
Canadian Dollar	30	1.41	0.1
Australian Dollar	24	1.439	0.4
Brazilian Real	22	1.037	(0.2)
Taiwan Dollar	18	30.43	1.0
Greek Drachma	16	280.5	(0.3)
Hong Kong Dollar	13	7.734	(0.1)
Irish Punt	12	.671	(0.1)
All other currencies	112	N/A	4.2
	1,092		17.2
RECEIVE DUTCH GUILDERS IN EXCHANGE FOR THE FOLLOWING CURRENCIES:			
British Pound	74	.308	(1.2)
French Franc	32	2.97	0.0
Swiss Franc	24	.716	0.0
Portuguese Escudo	17	91.18	0.0
Irish Punt	17	.341	0.0
Japanese Yen	14	62.06	0.4
Canadian Dollar	9	.715	0.0
Belgian Franc	9	18.31	0.1
Taiwan Dollar	8	15.28	0.5
All other currencies	11	N/A	0.2
	215		0.0
All other	5	N/A	0.7
Total	$1,312		$17.9

FINANCIAL REVIEW

RESULTS OF OPERATIONS

SALES

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

WORLDWIDE SALES	Total % Change	Components of Change % Price	Volume	Exchange
Total Worldwide				
1997 vs. 1996	7.9	0.5	10.4	(3.0)
1996 vs. 1995	10.0	0.1	11.5	(1.6)
1995 vs. 1994	9.4	(0.1)	8.0	1.5
Domestic				
1997 vs. 1996	10.0	0.8	9.2	-
1996 vs. 1995	10.9	0.1	10.8	-
1995 vs. 1994	6.2	(0.8)	7.0	-
International				
1997 vs. 1996	4.6	-	12.2	(7.6)
1996 vs. 1995	8.7	0.1	12.5	(3.9)
1995 vs. 1994	14.5	1.1	9.5	3.9
PHARMACEUTICAL AND NUTRITIONAL PRODUCTS				
Total Worldwide				
1997 vs. 1996	9.8	1.8	10.3	(2.3)
1996 vs. 1995	12.0	1.5	11.9	(1.4)
1995 vs. 1994	13.7	1.0	12.1	0.6
Domestic				
1997 vs. 1996	10.1	2.0	8.1	-
1996 vs. 1995	12.8	1.5	11.3	-
1995 vs. 1994	9.0	0.1	8.9	-
International				
1997 vs. 1996	9.2	1.4	14.5	(6.7)
1996 vs. 1995	10.6	1.5	13.2	(4.1)
1995 vs. 1994	23.6	2.9	18.8	1.9

HOSPITAL AND LABORATORY PRODUCTS				
Total Worldwide				
1997 vs. 1996	5.4	(1.4)	10.7	(3.9)
1996 vs. 1995	7.4	(1.7)	10.8	(1.7)
1995 vs. 1994	4.2	(1.3)	3.0	2.5
Domestic				
1997 vs. 1996	10.0	(1.3)	11.3	-
1996 vs. 1995	7.9	(2.2)	10.1	-
1995 vs. 1994	2.1	(2.1)	4.2	-
International				
1997 vs. 1996	0.1	(1.4)	9.9	(8.4)
1996 vs. 1995	6.8	(1.2)	11.7	(3.7)
1995 vs. 1994	6.9	(0.5)	1.9	5.5

Sales of new products in the pharmaceutical and nutritional segment in 1997 are estimated to be $397 million. New product sales in the hospital and laboratories segment are estimated to be $545 million. Sales in international markets represented approximately 40 percent of worldwide sales in 1997, 1996 and 1995.

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.

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

(dollars in millions)	1997	1996	1995
Anti-Infectives	$1,510	$1,407	$1,291
Adult Nutritionals	1,240	1,226	1,172
Infant Formula	1,166	1,153	1,109

Increases in anti-infectives and adult nutritionals were primarily due to unit increases. Worldwide sales of infant formula increased in 1997 and 1996 due to unit increases, and decreased in 1995 primarily due to unit decreases.

OPERATING EARNINGS

Gross profit margins (sales less cost of products sold, including freight and distribution expenses) were 57.5 percent of net sales in 1997, 57.0 percent of sales in 1996, and 56.8 percent in 1995. The increases in gross profit margins 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 were unfavorably affected by the relatively stronger U.S. dollar in 1997 and 1996, and were favorably impacted in 1995 by the relatively weaker 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). The WIC rebate programs continue to have a negative effect on the gross profit margins of this portion of the infant formula business.

Research and development expense increased to $1.3 billion in 1997, and represented 11.0 percent of net sales in 1997, compared to 10.9 percent of sales in 1996, and 10.7 percent in 1995. Research and development includes charges for the acquisition of certain technologies. Research and development expenditures continue to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses increased 9.2 percent in 1997, net of the favorable effect of the relatively stronger U.S. dollar of 3.3 percent, compared to increases of 10.3 in 1996, and 8.6 percent in 1995. The increases reflect additional selling and marketing to support new product launches.

INTEREST EXPENSE

Interest expense increased in 1997 and 1996 due primarily to a higher level of borrowings as a result of the purchase of certain parenteral products businesses of Sanofi Pharmaceuticals, Inc. in 1997, and MediSense, Inc. in 1996.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, includes a net foreign exchange gain of $(9.0) million in 1997, and losses of $21.8 million in 1996 and $25.2 million in 1995, including net exchange (gains) losses on foreign currency contracts. These contracts were purchased to manage the Company's exposure to foreign currency rate changes. Other (income) expense, net, also includes the Company's share of the net income from joint ventures, primarily TAP Holdings Inc. of $189 million, $130 million, and $75 million in 1997, 1996, and 1995, respectively, as well as minority interest expense.

TAXES ON EARNINGS

The Company's effective income tax rate was 29.0 percent for 1997, and 29.5 percent for 1996 and 1995. The tax rate for 1997 was reduced primarily as a result of the provisions of The Taxpayer Relief Act of 1997. 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 $1.5 billion at December 31, 1997. These lines of credit support domestic commercial paper borrowing arrangements.

Under a registration statement filed with the Securities and Exchange Commission in 1996, the Company may may issue up to $400 million of debt securities.

During the last three years, the Company purchased 54,670,000 of its common shares at a cost of $2.6 billion, including 1.3 million shares of the 15 million shares authorized for purchase by the Board of Directors in December, 1997.

CAPITAL EXPENDITURES

Capital expenditures of $1.0 billion in 1997, $949 million in 1996, and $947 million in 1995, were principally for upgrading and expanding manufacturing and research and development facilities in both segments, for laboratory instruments and hospital equipment placed with customers, and for administrative support facilities. This level of capital expenditures is expected to continue, with an increased proportion dedicated to the hospital and laboratory products segment.

BUSINESS ACQUISITIONS

In 1997, the Company acquired certain parenteral products businesses of Sanofi Pharmaceuticals, Inc., for approximately $200 million. 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. Of the cash purchase price of approximately $867 million, $219 million was allocated to goodwill; $635 million was allocated to other intangible assets; and $37 million was charged against earnings for in-process research and development. Goodwill and other intangible assets will be amortized on a straight-line basis over 25 to 40 years. 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.

YEAR 2000

The Company is currently addressing the impact of the year 2000 issue. Expenditures relating to this are expensed as incurred. The Company does not expect a significant impact on the Company's ongoing results of operations.

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)

	1997	1996	1995	1994	1993
Summary of Operations:					
Net Sales	$11,883.5	11,013.5	10,012.2	9,156.0	8,407.8
Cost of products sold	$ 5,045.7	4,732.0	4,325.8	3,993.8	3,684.7
Research and development	$ 1,302.4	1,204.8	1,072.7	963.5	881.0
Selling, general and administrative	$ 2,685.0	2,459.6	2,230.7	2,054.5	1,988.2
Operating earnings	$ 2,850.4	2,617.1	2,382.9	2,144.2	1,924.0
Interest expense	$ 134.6	95.4	69.5	49.7	54.3
Interest income	$ (47.7)	(44.5)	(51.8)	(36.9)	(37.8)
Other (income) expense, net	$ (186.3)	(103.4)	(30.2)	(35.3)	(35.7)
Earnings before taxes	$ 2,949.9	2,669.6	2,395.3	2,166.7	1,943.2
Taxes on earnings	$ 855.5	787.5	706.6	650.0	544.1
Net earnings	$ 2,094.5	1,882.0	1,688.7	1,516.7	1,399.1
Basic earnings per common share	$ 2.72	2.41	2.12	1.87	1.69
Diluted earnings per common share	$ 2.68	2.38	2.10	1.85	1.67
Financial Position:					
Working capital	$ 3.7	137.2	436.4	400.5	490.6
Investment securities maturing after one year	$ 631.0	665.6	422.5	316.2	221.8
Net property and equipment	$ 4,569.7	4,461.5	4,249.5	3,920.9	3,511.0
Total assets	$12,061.1	11,125.6	9,412.6	8,523.7	7,688.6
Long-term debt	$ 938.0	932.9	435.2	287.1	306.8
Shareholders' investment	$ 4,998.7	4,820.2	4,396.8	4,049.4	3,674.9
Return on shareholders' investment	% 42.7	40.8	40.0	39.3	39.8
Book value per share	$ 6.54	6.22	5.58	5.04	4.48
Other Statistics:					
Gross profit margin	% 57.5	57.0	56.8	56.4	56.2
Research and development to net sales	% 11.0	10.9	10.7	10.5	10.5
Net cash from operating activities	$ 2,628.8	2,382.1	1,965.6	2,212.1	1,846.9
Capital expenditures	$ 1,007.3	949.0	947.0	929.5	952.7
Cash dividends declared per common share	$ 1.08	.96	.84	.76	.68
Common shares outstanding (in thousands)	764,094	774,449	787,307	803,280	821,130
Number of common shareholders	102,981	99,513	89,831	86,324	82,947
Number of employees	54,487	52,817	50,241	49,464	49,659
Sales per employee (in dollars)	$ 218,097	208,521	199,283	185,105	169,312
Market price per share-high	$ 69 1/4	57 3/8	44 3/4	34	30 7/8
Market price per share-low	$ 49 3/4	38 1/8	30 5/8	25 3/8	22 5/8
Market price per share-close	$ 65 1/2	50 3/4	41 5/8	32 5/8	29 5/8

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(Dollars in Millions Except Per Share Data)

	1992	1991	1990	1989	1988
Summary of Operations:					
Net Sales	$7,851.9	6,876.6	6,158.7	5,379.8	4,937.0
Cost of products sold	$3,505.3	3,140.0	2,910.1	2,556.7	2,353.2
Research and development	$ 772.4	666.3	567.0	501.8	454.6
Selling, general and administrative	$1,833.2	1,513.3	1,275.6	1,100.2	1,027.2
Operating earnings	$1,526.0	1,557.0	1,406.0	1,221.1	1,102.0
Interest expense	$ 53.0	63.8	91.4	74.4	85.0
Interest income	$ (42.3)	(45.1)	(51.6)	(73.8)	(69.4)
Other (income) expense, net	$ 48.5	(5.9)	15.5	26.3	30.9
Earnings before taxes	$1,738.8	1,544.2	1,350.7	1,194.2	1,055.5
Taxes on earnings	$ 499.7	455.5	384.9	334.4	303.5
Net earnings	$1,239.1	1,088.7	965.8	859.8	752.0
Basic earnings per common share	$ 1.47	1.27	1.11	.96	.83
Diluted earnings per common share	$ 1.45	1.25	1.09	.95	.83
Financial Position:					
Working capital	$ 449.2	661.7	460.0	719.2	913.3
Investment securities maturing after one year	$ 270.6	340.2	314.0	300.0	285.7
Net property and equipment	$3,099.2	2,662.1	2,375.8	2,090.2	1,952.6
Total assets	$6,941.2	6,255.3	5,563.2	4,851.6	4,825.1
Long-term debt	$ 110.0	125.1	134.8	146.7	349.3
Shareholders' investment	$3,347.6	3,203.0	2,833.6	2,726.4	2,464.6
Return on shareholders' investment	% 37.8	36.1	34.7	33.1	33.0
Book value per share	$ 4.00	3.77	3.30	3.08	2.74
Other Statistics:					
Gross profit margin	% 55.4	54.3	52.7	52.5	52.3
Research and development to net sales	% 9.8	9.7	9.2	9.3	9.2
Net cash from operating activities	$1,388.8	1,453.2	1,200.9	959.9	965.4
Capital expenditures	$1,007.2	732.8	629.5	501.5	521.2
Cash dividends declared per common share	$ .60	.50	.42	.35	.30
Common shares outstanding (in thousands)	836,052	850,530	858,282	884,958	899,384
Number of common shareholders	75,703	56,541	49,827	45,361	46,324
Number of employees	48,118	45,694	43,770	40,929	38,751
Sales per employee (in dollars)	$163,180	150,492	140,706	131,441	127,403
Market price per share-high	$ 34 1/8	34 3/4	23 1/8	17 5/8	13 1/8
Market price per share-low	$ 26 1/8	19 5/8	15 5/8	11 1/2	10 3/4
Market price per share-close	$ 30 3/8	34 3/8	22 1/2	17	12

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(Dollars in Millions Except Per Share Data)

	1987
Summary of Operations:	
Net Sales	$4,387.9
Cost of products sold	$2,101.9
Research and development	$ 361.3
Selling, general and administrative	$ 919.0
Operating earnings	$1,005.7
Interest expense	$ 77.6
Interest income	$ (56.7)
Other (income) expense, net	$ 47.7
Earnings before taxes	$ 937.1
Taxes on earnings	$ 304.5
Net earnings	$ 632.6
Basic earnings per common share	$ .69
Diluted earnings per common share	$ .69
Financial Position:	
Working capital	$ 668.7
Investment securities maturing after one year	$ 292.9
Net property and equipment	$1,741.6
Total assets	$4,385.7
Long-term debt	$ 271.0
Shareholders' investment	$2,093.5
Return on shareholders' investment	% 32.7
Book value per share	$ 2.31
Other Statistics:	
Gross profit margin	% 52.1
Research and development to net sales	% 8.2
Net cash from operating activities	$ 885.6
Capital expenditures	$ 432.7
Cash dividends declared per common share	$ .25
Common shares outstanding (in thousands)	906,924
Number of common shareholders	45,822
Number of employees	37,828
Sales per employee (in dollars)	$ 115,995
Market price per share-high	$ 16 3/4
Market price per share-low	$ 10
Market price per share-close	$ 12

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 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
Laser Surgery Partnership	Illinois

MediSense, Inc.	Massachusetts
MediSense Import/Export Inc.	Massachusetts
MediSense International, Inc.	Delaware
Medlase Holding Corporation	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
MediSense Australia Pty Ltd.	Australia
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

MediSense Austria GmbH	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
Abbott Laboratories de Colombia, S.A.	Colombia
Abbott Laboratories s.r.o.	Czech Republic
Abbott Laboratories A/S	Denmark
MediSense Danmark AS	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 28, 1998

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THIS SCHEDULE CONTAINS TWELVE MONTH YEAR-TO-DATE FINANCIAL INFORMATION EXTRACTED FROM ABBOTT LABORATORIES 1997 FORM 10K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K FILING.

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12-MOS	
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JAN-01-1997	
DEC-31-1997	
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	11,883,462
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	2.68

OTHER EXPENSES CONSIST OF RESEARCH AND DEVELOPMENT EXPENSE

Exhibit 99.1

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Financial Review, incorporated herein by reference, and other sections of this Form 10-K contains 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 the Company's current products, (iii) generic competition as the Company's products go off patent, (iv) technological advances and patents obtained by competitors and (v) problems with licensors, suppliers and distributors.

- The difficulties or delays in bringing new products to market due to any one or more of the difficulties and uncertainties inherent in new product development, including: (i) efficacy or safety concerns (whether or not scientifically justified), (ii) the inability to obtain regulatory approvals, (iii) difficulty in manufacturing or excessive manufacturing costs or (iv) the infringement of the patents or intellectual property rights of others.

- 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 the Company's operations.

- Unexpected safety or efficacy concerns with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales.

- 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 or 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, 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. The Company undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.