

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2000

OR

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

For the transition period from _____ to _____

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

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

100 Abbott Park Road
Abbott Park, Illinois 60064-6400

Telephone: (847) 937-6100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .
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As of June 30, 2000 the Corporation had 1,549,930,306 common shares without par value outstanding.

PART I. FINANCIAL INFORMATION

Abbott Laboratories and Subsidiaries
Condensed Consolidated Financial Statements
(Unaudited)

Abbott Laboratories and Subsidiaries
Condensed Consolidated Statement of Earnings

(Unaudited)

(dollars and shares in thousands except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net Sales	\$3,370,153	\$3,259,211	\$6,723,331	\$6,572,531
Cost of products sold	1,530,254	1,415,188	3,026,701	2,868,204
Research and development	361,592	317,903	682,959	587,400
Selling, general and administrative	728,943	693,664	1,459,247	1,379,144
Gain on sale of business	(92,203)	--	(138,507)	--
Total Operating Cost and Expenses	2,528,586	2,426,755	5,030,400	4,834,748
Operating Earnings	841,567	832,456	1,692,931	1,737,783
Net interest expense	11,090	21,716	23,124	47,568
Income from TAP Pharmaceutical Products Inc. joint venture .	(117,571)	(96,336)	(236,485)	(167,905)
Net foreign exchange (gain) loss	1,439	(2,078)	2,280	18,481
Other (income) expense, net	7,976	13,355	16,123	15,086
Earnings Before Taxes	938,633	895,799	1,887,889	1,824,553
Taxes on earnings	253,431	250,824	509,730	510,875
Net Earnings	\$ 685,202	\$ 644,975	\$1,378,159	\$1,313,678
Basic Earnings Per Common Share	\$ 0.44	\$ 0.42	\$ 0.89	\$ 0.86
Diluted Earnings Per Common Share	\$ 0.44	\$ 0.41	\$ 0.88	\$ 0.84
Cash Dividends Declared Per Common Share	\$ 0.19	\$ 0.17	\$ 0.38	\$ 0.34
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,549,864	1,535,397	1,548,941	1,533,808
Dilutive Common Stock Options	16,509	23,304	13,999	24,205
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,566,373	1,558,701	1,562,940	1,558,013
Outstanding Common Stock Options Having No Dilutive Effect .	19,575	2,808	19,575	2,808

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

Abbott Laboratories and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(Unaudited)
(dollars in thousands)

	Six Months Ended June 30	
	2000	1999
Cash Flow From (Used in) Operating Activities:		
Net earnings	\$1,378,159	\$1,313,678
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization	435,773	417,517
Trade receivables	(49,696)	(33,373)
Inventories	(252,334)	(67,557)
Gain on sale of business	(138,507)	--
Other, net	274,159	(17,205)
Net Cash From Operating Activities	1,647,554	1,613,060
Cash Flow From (Used in) Investing Activities:		
Proceeds from sale of business	116,000	--
Acquisitions of property, equipment and businesses	(530,845)	(465,109)
Investment securities transactions	32,450	79,033
Other	36,034	6,558
Net Cash Used in Investing Activities	(346,361)	(379,518)
Cash Flow From (Used in) Financing Activities:		
Repayments of commercial paper, net	(548,000)	(760,000)
Other borrowing transactions, net	(590)	(12,862)
Common share transactions	49,986	70,267
Dividends paid	(557,462)	(485,939)
Net Cash Used in Financing Activities	(1,056,066)	(1,188,534)
Effect of exchange rate changes on cash and cash equivalents	(13,075)	(12,674)
Net Increase in Cash and Cash Equivalents	232,052	32,334
Cash and Cash Equivalents, Beginning of Year	608,097	315,238
Cash and Cash Equivalents, End of Period	\$ 840,149	\$ 347,572
	=====	=====

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

Abbott Laboratories and Subsidiaries
Condensed Consolidated Balance Sheet
(dollars in thousands)

	June 30 2000 (Unaudited)	December 31 1999 -----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 840,149	\$ 608,097
Investment securities	144,102	115,199
Trade receivables, less allowances of \$193,056 in 2000 and \$238,956 in 1999	2,040,877	2,055,839
Inventories:		
Finished products	885,225	772,478
Work in process	372,621	338,818
Materials	426,461	384,148
Total inventories	1,684,307	1,495,444
Prepaid expenses, income taxes, and other receivables	2,188,601	2,145,175
Total Current Assets	6,898,036	6,419,754
Investment Securities Maturing after One Year	879,707	954,778
Property and Equipment, at Cost	9,938,898	9,797,567
Less: accumulated depreciation and amortization	5,168,128	5,027,508
Net Property and Equipment	4,770,770	4,770,059
Deferred Charges, Intangible and Other Assets	2,415,568	2,326,453
	\$14,964,081	\$14,471,044
	=====	=====
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 355,594	\$ 896,271
Trade accounts payable	1,480,079	1,226,854
Salaries, income taxes, dividends payable, and other accruals	2,352,593	2,393,586
Total Current Liabilities	4,188,266	4,516,711
Long-Term Debt	1,326,416	1,336,789
Other Liabilities and Deferrals	1,265,005	1,189,949
Shareholders' Investment:		
Preferred shares, one dollar par value		
Authorized - 1,000,000 shares, none issued	--	--
Common shares, without par value		
Authorized - 2,400,000,000 shares		
Issued at stated capital amount -		
Shares: 2000: 1,567,539,540; 1999: 1,564,670,440	2,074,238	1,939,673
Common shares held in treasury, at cost -		
Shares: 2000: 17,609,234; 1999: 17,650,834	(257,147)	(257,756)
Unearned compensation - restricted stock awards.....	(19,857)	(23,028)
Earnings employed in the business	6,879,490	6,174,007
Accumulated other comprehensive loss	(492,330)	(405,301)
Total Shareholders' Investment	8,184,394	7,427,595
	\$14,964,081	\$14,471,044
	=====	=====

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

Abbott Laboratories and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2000

(Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the results of operations, financial position and cash flows have been made. It is suggested that these statements be read in conjunction with the financial statements included in Abbott's Annual Report on Form 10-K for the year ended December 31, 1999.

Note 2 - Supplemental Financial Information
(dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest expense:				
Interest expense	\$ 33,018	\$ 36,492	\$ 65,233	\$ 76,840
Interest income	(21,928)	(14,776)	(42,109)	(29,272)
Total	\$ 11,090	\$ 21,716	\$ 23,124	\$ 47,568

Note 3 - Taxes on Earnings

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

Note 4 - Litigation and Environmental Matters

Abbott is involved in various claims and legal proceedings including numerous antitrust suits and investigations in connection with the pricing of prescription pharmaceuticals. These suits and investigations allege that various pharmaceutical manufacturers have conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies by providing discounts to mail-order pharmacies, institutional pharmacies and HMOs in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals and retail pharmacies and name both Abbott and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, and injunctive and other relief. Abbott has filed or intends to file a response to each of the remaining complaints denying all substantive allegations.

In addition, there are several lawsuits and one investigation pending in connection with the sales of HYTRIN. These suits and the investigation allege that Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws by signing settlement agreements with Geneva Pharmaceuticals, Inc. and Zenith Laboratories, Inc. Those agreements related to pending patent infringement lawsuits between Abbott and the two companies. Some of the suits also allege that Abbott violated various state or federal laws by filing frivolous patent infringement lawsuits to protect HYTRIN from generic competition. The cases seek treble damages, civil penalties and other relief. Abbott has filed or intends to file a response to each of the complaints denying all substantive allegations.

The U.S. Department of Justice is investigating the marketing and sales practices of TAP Pharmaceutical Products Inc. ("TAP") for LUPRON. In addition, various state and federal agencies are investigating the pricing practices of TAP with respect to LUPRON and/or of Abbott with respect to certain other Medicare and Medicaid reimbursable products.

Abbott has also been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of Company-owned locations.

Abbott expects that within the next year, legal proceedings will occur that may result in a change in the estimated reserves recorded by Abbott. 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 Abbott's financial position, cash flows, or results of operations.

Notes to Condensed Consolidated Financial Statements
June 30, 2000
(Unaudited), continued

The matters above are discussed more fully in Note 14 to the financial statements included in Abbott's Annual Report on Form 10-K, which is available upon request.

Note 5 - U.S. Food and Drug Administration Consent Decree

In November 1999, Abbott reached agreement with the U.S. Food and Drug Administration to have a consent decree entered to settle issues involving Abbott's diagnostics manufacturing operations in Lake County, Ill. The decree requires Abbott to ensure its diagnostics manufacturing processes in Lake County, Ill., conform with the FDA's current Quality System Regulation. The decree allows for the continued manufacture and distribution of medically necessary diagnostic products made in Lake County, Ill. However, Abbott is prohibited from manufacturing or distributing certain diagnostic products until Abbott ensures the processes in its Lake County, Ill., diagnostics manufacturing operations conform with the current Quality System Regulation. Under the terms of the consent decree, among other actions, Abbott has submitted to the FDA a proposed master compliance and validation plan to ensure its processes conform with the current Quality System Regulation. The decree requires Abbott to ensure its facilities are in conformance with the current Quality System Regulation within one year from the date of the consent decree. The consent decree allows Abbott to export diagnostic products and components for sale and distribution outside the United States if they meet the export requirements of the Federal Food, Drug and Cosmetic Act.

Note 6 - Comprehensive Income
(dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Foreign currency translation losses	\$(55,158)	\$(42,637)	\$ (86,220)	\$ (122,174)
Tax (expense) benefit related to foreign currency translation losses	157	(81)	(261)	45
Unrealized gains (losses) on marketable equity securities	1,189	859	20,172	(27,140)
Tax (expense) benefit related to unrealized gains (losses) on marketable equity securities	(476)	(365)	(8,069)	10,819
Reclassification adjustment for gains included in net income	(22,981)	--	(12,651)	--
Other comprehensive loss, net of tax	(77,269)	(42,224)	(87,029)	(138,450)
Net Earnings	685,202	644,975	1,378,159	1,313,678
Comprehensive Income	\$607,933	\$602,751	\$1,291,130	\$1,175,228

Supplemental Comprehensive Income Information:

	June 30	
	2000	1999
Cumulative foreign currency translation loss adjustments, net of tax	\$518,423	\$382,840
Cumulative unrealized (gains) on marketable equity securities, net of tax	(26,093)	(16,697)

Note 7 - Segment Information
(dollars in millions)

REVENUE SEGMENTS-- Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products and services. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Segments are identified as those revenue divisions that report directly to the chief operating officer of Abbott. Abbott's reportable segments are as follows:

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

DIAGNOSTIC PRODUCTS-- Worldwide sales of diagnostic systems for blood banks, hospitals, consumers, commercial laboratories and alternate-care testing sites.

HOSPITAL PRODUCTS-- U.S. sales of intravenous and irrigation fluids and related administration equipment, drugs and drug-delivery systems, anesthetics, critical care products, and other medical specialty products for hospitals and alternate-care sites.

ROSS PRODUCTS-- U.S. sales of a broad line of adult and pediatric nutritional products, pediatric pharmaceuticals and consumer products.

INTERNATIONAL-- Non-U.S. sales of all of Abbott's pharmaceutical, hospital and nutritional products. Products sold by International are manufactured by domestic segments and by international manufacturing locations.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are sold to segments at predetermined rates which approximate cost. Remaining costs, if any, are not allocated to revenue segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and may not be presented in accordance with generally accepted accounting principles.

	Net Sales to External Customers				Operating Earnings			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999	2000	1999	2000	1999
Pharmaceutical (a)	\$ 563	\$ 544	\$1,170	\$1,168	\$ 164	\$ 292	\$ 398	\$ 640
Diagnostics	761	759	1,468	1,475	101	141	160	251
Hospital (a)	659	561	1,229	1,137	166	133	292	284
ROSS	497	469	1,047	971	171	158	394	343
International	807	782	1,659	1,613	202	169	430	382
Total Reportable Segments	3,287	3,115	6,573	6,364	804	893	1,674	1,900
Other	83	144	150	209				
Net Sales	<u>\$3,370</u>	<u>\$3,259</u>	<u>\$6,723</u>	<u>\$6,573</u>				
Corporate functions					37	30	78	57
Benefit plans costs					18	31	37	58
Non-reportable segments					(19)	(28)	(26)	(41)
Gain on sale of business					(92)	--	(139)	--
Net interest expense					11	22	23	48
Income from TAP Pharmaceutical Products Inc.					(118)	(96)	(236)	(168)
Net foreign exchange loss					1	(2)	2	18
Other expense (income), net					27	40	47	103
Consolidated Earnings Before Taxes	<u>\$ 939</u>	<u>\$ 896</u>	<u>\$1,888</u>	<u>\$1,825</u>				

(a) In 2000, management of the cardiovascular medicine franchise was transferred from the Pharmaceutical segment to the Hospital segment. Net sales and operating earnings for 1999 have been restated to reflect this transfer.

Note 8 -- Sale of Agricultural Products Business

On January 20, 2000, Abbott sold its agricultural products business to Sumitomo Chemical Co., Ltd., resulting in a \$46 million gain recorded in the first quarter 2000. In the second quarter, upon Sumitomo achieving a sales milestone, Abbott recorded an additional \$92 million gain. Under the transaction, Sumitomo acquired research and development, sales, marketing, and support operations for Abbott's entire line of naturally occurring biopesticides, plant growth regulators and other products for agriculture, public health and forestry. Bulk active ingredient manufacturing rights were retained by Abbott. For the full year 1999, Abbott recorded approximately \$102 million in sales from this business.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - SECOND QUARTER AND FIRST SIX MONTHS 2000 COMPARED WITH SAME PERIODS IN 1999

The following table details sales by segment for the second quarter and first six months 2000:
(dollars in millions)

	Net Sales to External Customers		Percentage Change (a)	Net Sales to External Customers		Percentage Change (a)
	Three Months Ended June 30			Six Months Ended June 30		
	2000	1999	2000	1999		
Pharmaceutical (b)	\$ 563	\$ 544	3.5	\$1,170	\$1,168	0.2
Diagnostics	761	759	0.2	1,468	1,475	(0.4)
Hospital (b)	659	561	17.4	1,229	1,137	8.1
Ross	497	469	6.0	1,047	971	7.9
International	807	782	3.2	1,659	1,613	2.8
Total Reportable Segments	3,287	3,115	5.5	6,573	6,364	3.3
Other	83	144		150	209	
Net Sales	\$3,370	\$3,259	3.4	\$6,723	\$6,573	2.3
Total U.S.	\$2,076	\$2,006	3.5	\$4,137	\$4,062	1.9
Total International	\$1,294	\$1,253	3.3	\$2,586	\$2,511	3.0

(a) Percentage changes are based on unrounded numbers.

(b) In 2000, management of the cardiovascular medicine franchise was transferred from the Pharmaceutical segment to the Hospital segment. Net sales for 1999 have been restated to reflect this transfer.

Worldwide sales for the second quarter and first six months reflect primarily unit growth. Excluding the negative effect of the relatively stronger U.S. dollar, sales increased 4.8 percent for the second quarter and 3.8 percent for the first six months, respectively, over the comparable 1999 periods. Diagnostics segment sales decreased for the first six months primarily due to the effect of the consent decree as discussed in Note 5 and due to the negative effect of the relatively stronger U.S. Dollar. Excluding exchange, Diagnostics segment sales increased 2.3 percent for the first six months. Diluted earnings per common share increased 7.3 percent and 4.8 percent in the second quarter and first six months, respectively, over the same periods in 1999. Net earnings increased 6.2 percent and 4.9 percent in the second quarter and first six months 2000, respectively, over the comparable 1999 periods.

In August 1999, Geneva Pharmaceuticals, Inc. began shipments of generic HYTRIN in the United States, which has adversely impacted Abbott's HYTRIN sales. Full year U.S. sales of HYTRIN amounted to \$466 million in 1999. For the first six months 2000, U.S. sales of HYTRIN were \$69 million.

As a result of the consent decree entered into with the U.S. Food and Drug Administration in 1999, as discussed in Note 5, Abbott is prohibited from manufacturing or distributing certain diagnostic products until Abbott ensures the processes in its Lake County, Ill., diagnostics manufacturing operations conform with the current Quality System Regulation. The consent decree resulted in a one-time charge of \$168 million in the third quarter of 1999. In addition, Abbott estimates that 2000 sales may be negatively impacted up to \$250 million and earnings per share may be negatively impacted up to 10 cents per share.

In 1998, the U.S. Food and Drug Administration suspended its approval of the release of production lots of Abbott's pharmaceutical product ABBOKINASE due to Current Good Manufacturing Practice concerns. It is anticipated that sales of ABBOKINASE will resume after 2000. In 1999, sales of ABBOKINASE were approximately \$47 million, all of which were recorded in the first quarter.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) was 54.6 percent for the second quarter 2000, compared to 56.6 percent for the second quarter 1999. First six months 2000 gross profit margin was 55.0 percent, compared to 56.4 percent for the first six months 1999. These decreases were primarily due to unfavorable product mix.

FINANCIAL REVIEW
(continued)

Research and development expenses for the second quarter 2000 and first six months 2000 increased 13.7 percent and 16.3 percent, respectively, over the comparable 1999 periods, and include charges relating to several research and development collaboration agreements entered into in the first six months 2000. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses for the second quarter 2000 and first six months 2000 increased 5.1 percent and 5.8 percent, respectively, over the comparable 1999 periods, due primarily to increased selling and marketing support for new and existing products.

SALE OF AGRICULTURAL PRODUCTS BUSINESS

On January 20, 2000, Abbott sold its agricultural products business to Sumitomo Chemical Co., Ltd., resulting in a \$46 million gain recorded in the first quarter 2000. In the second quarter, upon Sumitomo achieving a sales milestone, Abbott recorded an additional \$92 million gain. Under the transaction, Sumitomo acquired research and development, sales, marketing, and support operations for Abbott's entire line of naturally occurring biopesticides, plant growth regulators and other products for agriculture, public health and forestry. Bulk active ingredient manufacturing rights were retained by Abbott. For the full year 1999, Abbott recorded approximately \$102 million in sales from this business.

INTEREST (INCOME) EXPENSE, NET

Net interest expense decreased in both the second quarter and first six months 2000, due primarily to a lower level of borrowings.

TAXES ON EARNINGS

The effective income tax rate was 27.0 percent in 2000 and 28.0 percent in 1999. The tax rate for 2000 was reduced primarily due to the domestic dividend exclusion applicable to the increased earnings of TAP Pharmaceutical Products Inc.

LIQUIDITY AND CAPITAL RESOURCES AT JUNE 30, 2000 COMPARED WITH DECEMBER 31, 1999

Net cash from operating activities for the first six months 2000 totaled \$1.648 billion. Abbott expects annual cash flow from operating activities to continue to approximate or exceed Abbott's capital expenditures and cash dividends.

Abbott 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 \$1.505 billion at June 30, 2000. These lines of credit support domestic commercial paper borrowing arrangements.

Abbott may issue up to \$518 million of securities in the future under a registration statement filed with the Securities and Exchange Commission in 1999. Of the \$518 million, Abbott may issue up to \$268 million either in the form of debt securities or common shares without par value. The remaining \$250 million may only be issued in the form of debt securities.

In June 2000, Abbott's Board of Directors authorized the purchase of up to 25 million of Abbott's common shares. Abbott purchased and retired 1,352,000 shares during this period at a cost of \$56.8 million. As of June 30, 2000, an additional 23,648,000 shares may be purchased in future periods.

LEGISLATIVE ISSUES

Abbott's primary markets are highly competitive and subject to substantial government regulation. Abbott expects debate to continue at both the federal and the state levels over the availability, method of delivery, and payment for health care products and services. Abbott believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases for medical products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which Abbott 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.

FINANCIAL REVIEW
(continued)

RECENTLY ISSUED ACCOUNTING STANDARD

The Securities and Exchange Commission (the "SEC") has issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements, as amended on June 26, 2000. SAB No. 101 provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues, and is effective beginning in the fourth quarter of 2000. Abbott is evaluating the effects of implementation, if any, on its financial statements.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 -- A CAUTION CONCERNING FORWARD-LOOKING STATEMENTS²⁰

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott, 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 Abbott's operations are discussed in Exhibit 99.1 to the Annual Report on Form 10-K.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Abbott is involved in various claims and legal proceedings, including those described below.

In its Form 10-Q for the quarterly period ended March 31, 2000, Abbott reported five lawsuits were pending involving Abbott's patents for divalproex sodium, a drug that Abbott sells under the trademark Depakote-Registered Trademark-, including the patent infringement lawsuits Abbott filed against Andrx Corporation, Andrx Pharmaceutical, and Andrx Pharmaceutical, L.L.C. in the United States District Court for the Northern District of Illinois and in the United States District Court for the Southern District of Florida and the patent infringement lawsuit Abbott filed against Andrx L.L.C. in the United States District Court for the Eastern District of Virginia. During the quarterly period ended June 30, 2000, the lawsuit pending in the United States District Court for the Northern District of Illinois was transferred to the United States District Court for the Southern District of Florida and consolidated with the case pending in that court. The lawsuit pending in the United States District Court for the Eastern District of Virginia also will be transferred to the United States District Court for the Southern District of Florida and consolidated with the case that is pending in that court.

In its Form 10-Q for the quarterly period ended March 31, 2000, Abbott reported 17 lawsuits and one antitrust investigation were pending involving Abbott's patents for terazosin hydrochloride, a drug that Abbott sells under the trademark Hytrin-Registered Trademark-. During the quarterly period ended June 30, 2000, three additional lawsuits were filed. All three of these lawsuits relate to Abbott's agreements with Geneva Pharmaceuticals, Inc. ("Geneva") and/or Zenith Laboratories, Inc. ("Zenith") which are described in Abbott's Form 10-K for the fiscal year ended December 31, 1999. On June 8, 2000, Martin Bernstein filed a lawsuit against Abbott and Geneva in state court in Oakland County, Michigan alleging that Abbott's agreement with Geneva violated the Michigan Antitrust Reform Act. On April 27, 2000, Willie O'Neal filed a lawsuit against Abbott, Geneva, and Zenith in state court in Jefferson County, Alabama alleging that Abbott's agreement with Geneva and Zenith violated the Illinois Fraud and Deceptive Trade Practices Act. On May 26, 2000, Steven Daniels filed a lawsuit against Abbott in state court in Orange County, California alleging that Abbott's agreements with Geneva and Zenith violated the California Cartwright Act and/or the Unfair Trade Practice Act. Each of these cases purports to be a class action and has been conditionally transferred to the United States District Court for the Southern District of Florida. Abbott has filed or intends to file a response to each of the complaints denying all substantive allegations.

In its Form 10-K for the fiscal year ended December 31, 1999, Abbott reported that 116 antitrust lawsuits were pending in federal court and 14 were pending in state court involving Abbott's pricing of pharmaceutical products. As of July 21, 2000, as a result of settlements, 114 antitrust suits were pending in federal court. During the quarterly period ended June 30, 2000, the Alabama Supreme Court dismissed the case that had been pending in the Alabama state court in Clarke County, Alabama and a new case was brought in Clarke County on behalf of Alabama consumers by the Alabama District Attorney. Abbott has filed a response denying all substantive allegations of the complaint.

In its Form 10-Q for the quarterly period ended March 31, 2000, Abbott reported 19 cases were pending relating to Abbott's alleged noncompliance with the Federal Food and Drug Administration's Quality System Regulation at Abbott's Diagnostics Division facilities in Lake County, Illinois. These include 13 cases consolidated as IN RE ABBOTT LABORATORIES SECURITIES LITIGATION, 4 cases consolidated as IN RE ABBOTT LABORATORIES DERIVATIVE SHAREHOLDER, and GALLAGHER V. ABBOTT. Abbott has moved to dismiss these 18 cases.

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 dispositions should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

- 10.1. Abbott Laboratories 1996 Incentive Stock Program - attached hereto.
- 10.2. Abbott Laboratories Non-Employee Directors' Fee Plan - attached hereto.
- 12. Statement re: computation of ratio of earnings to fixed charges - attached hereto.
- 27. Financial Data Schedule - attached hereto.

b) Reports on Form 8-K

On May 19, 2000, Abbott Laboratories and BankBoston, N.A., as Rights Agent, executed Amendment No. 2 to the Rights Agreement by and between Abbott Laboratories and BankBoston, N.A., dated as of November 11, 1999, as amended as of December 7, 1999.

SIGNATURE

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

ABBOTT LABORATORIES

/s/ Gary L. Flynn

Gary L. Flynn, Vice President
and Controller (Principal Accounting
Officer)

Date: August 3, 2000

ABBOTT LABORATORIES 1996 INCENTIVE STOCK PROGRAM

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") for the years 1996 through 1999, 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 and for the years from and including 2000, one and a half percent (1.5%) 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. During the term of the Program, no more than 5 million shares of Abbott common stock may be granted in the form of Performance Units and no more than 5 million shares of Abbott common stock may be granted in the form of Performance Shares. 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.

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 Director's 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 20(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 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. Notwithstanding the foregoing, except as provided in paragraph 22, the Committee shall neither lower the purchase price of any option granted under the Program nor grant any option under the Program in replacement of a cancelled option which had previously been granted at a higher purchase price, without shareholder approval.

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 paragraphs 11 and 19, and the number of shares that may be granted or issued (as the case may be), 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. Notwithstanding the foregoing, except as provided in paragraph 22, the Company shall neither lower the purchase price of any option granted under the Program nor grant any option under the Program in replacement of a cancelled option which had previously been granted at a higher purchase price, without shareholder approval. 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.

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN

SECTION 1
PURPOSE

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN - referred to below as the "Plan" - has been established by ABBOTT LABORATORIES - referred to below as the "Company" - to attract and retain as members of its Board of Directors persons who are not full-time employees of the Company or any of its subsidiaries but whose business experience and judgment are a valuable asset to the Company and its subsidiaries.

SECTION 2
DIRECTORS COVERED

As used in the Plan, the term "Director" means any person who is elected to the Board of Directors of the Company in April, 1962 or at any time thereafter, and is not a full-time employee of the Company or any of its subsidiaries.

SECTION 3
FEES PAYABLE TO DIRECTORS

3.1 Each Director shall be entitled to a deferred monthly fee of Five Thousand Dollars (\$5,000.00) for each calendar month or portion thereof (excluding the month in which he is first elected a Director) that he holds such office with the Company.

3.2 A Director who serves as Chairman of the Executive Committee of the Board of Directors shall be entitled to a deferred monthly fee of One Thousand Six Hundred Dollars (\$1,600.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.3 A Director who serves as Chairman of the Audit Committee of the Board of Directors shall be entitled to a deferred monthly fee of Six Hundred Sixty-Seven Dollars (\$667.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.4 A Director who serves as Chairman of the Compensation Committee of the Board of Directors shall be entitled to a deferred monthly fee of Six Hundred Sixty-Seven Dollars (\$667.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.5 A Director who serves as Chairman of the Nominations Committee of the Board of Directors shall be entitled to a deferred monthly fee of Six Hundred Sixty-Seven Dollars (\$667.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.6 A Director who serves as Chairman of any other Committee created by this Board of Directors shall be entitled to a deferred monthly fee of Six Hundred Sixty-Seven Dollars (\$667.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.7 A Director's Deferred Fee Account shall be credited with interest annually. During the calendar years 1968 and prior, the rate of interest credited to deferred fees shall be four (4) percent per annum. During the calendar years 1969 through 1992, the rate of interest credited to deferred fees shall be the average of the prime rates being charged by two largest commercial banks in the City of Chicago as of the end of the month coincident with or last preceding the date upon which said interest is so credited. During the calendar years 1993 and subsequent, the rate of interest credited to deferred fees shall be equal to: (a) the average of the prime rates being charged by the two largest commercial banks in the City of Chicago as of the end of the month coincident with or last preceding the date upon which said interest is so credited; plus (b) two hundred twenty-five (225) basis points. For purposes of the provisions of the Plan, the term "deferred fees" shall include "deferred monthly fees," and "deferred meeting fees," and shall also include any such interest credited thereon.

SECTION 4
PAYMENT OF DIRECTORS' FEES

4.1 A Director's deferred fees earned pursuant to the Plan shall commence to be paid on the first day of the calendar month next following the earlier of his death or his attainment of age sixty-five (65) if he is not then serving as a Director, or the termination of his service as a Director if he serves as a Director after the attainment of age sixty-five (65); provided that any Director may, by written notice filed with the Secretary of the Company, elect to receive current payment of all or any portion of the monthly and meeting fees earned by him in calendar years subsequent to the calendar year in which he files such notice (or all or any portion of such fees earned by him in the calendar year he first becomes a Director, if such notice is filed within 30 days of becoming a Director), in which case such fees or the portion thereof so designated earned in such calendar years shall not be deferred but shall be paid quarterly as earned and no interest shall be credited thereon. Such election may be revoked or modified by any Director by written notice to the Secretary of the Company as to fees to be earned by him in calendar years subsequent to the calendar year in which he files such notice.

4.2 After a Director's deferred fees shall have commenced to be payable pursuant to Paragraph 4.1 they shall be payable in annual installments in the order in which they shall have been deferred (i.e. the deferred fees for the earliest year of service as a Director will be paid on the date provided for in Section 4.1, the deferred fees for the next earliest year of service as a Director will be paid on the anniversary of the payment of the first installment, etc.).

4.3 A Director's deferred fees shall continue to be paid until all deferred fees which he is entitled to receive under the Plan shall have been paid to him (or, in case of his death, to his beneficiary).

4.4 Notwithstanding any other provisions of the Plan, if a Director's service as a Director should terminate for any reason within five (5) years after the date of a Change in Control, the aggregate unpaid balance of such Director's deferred fees plus all unpaid interest credited thereon, shall be paid to such Director in a lump sum within thirty (30) days following the date of such termination.

4.5 A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

- (i) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of the Company;
- (ii) The date the shareholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of the Company; or
- (iii) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

4.6 The provisions of Paragraphs 4.4 and 4.5 and this Paragraph 4.6 may not be amended or deleted, nor superseded by any other provision of the Plan, during the period beginning on the date of a Change in Control and ending on the date five (5) years following such Change in Control.

SECTION 5
DIRECTORS' RETIREMENT BENEFIT

5.1 Effective April 30, 1998, each of the persons serving as a Director on December 12, 1997 shall be credited with a retirement benefit of \$4,167 a month for 120 months of continuous service and no additional retirement benefits shall accrue under the Plan. Each of the persons serving as a Director on December 12, 1997 may elect: (a) to have his or her retirement benefit under the Plan treated as provided in Section 5.2 of the Plan; or (b) to have the present value of that retirement benefit credited to an unfunded phantom stock account and converted into phantom stock units based on the closing price of the Company's common stock on April 30, 1998, with those phantom stock units then being credited with the same cash and stock dividends, stock splits and other distributions and adjustments as are paid on the Company's

common stock. The phantom stock units shall be payable to the Director in annual payments commencing on the first day of the calendar month next following the earlier of the Director's death or termination of service as a Director, in an amount determined by the closing price of the Company's common stock on the first business day preceding the payment date. Unless the retirement benefit is terminated, the annual benefit shall continue to be paid on the anniversary of the day on which the first such retirement benefit payment was made, until the benefit has been paid for ten years, or until the death of the Director or surviving spouse, if earlier. If a Director should die with such benefit still in effect, prior to receipt of all payments due hereunder, the annual benefit shall continue to be paid to the surviving spouse of such Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

5.2 Any person serving as a Director on December 12, 1997 who elects to have his or her retirement benefit paid pursuant to this Section 5.2 shall receive a monthly benefit equal to \$4,167. Payment of the monthly benefit shall commence on the first day of the calendar month next following the earlier of the Director's death or termination of service as a Director. Unless the retirement benefit is terminated, the monthly benefit shall continue to be paid on the first day of each calendar month thereafter, until the benefit has been paid for one hundred and twenty (120) months, or until the death of the Director or surviving spouse, if earlier. If a Director should die with such benefit still in effect, prior to receipt of all payments due hereunder, the monthly benefit shall continue to the surviving spouse of such Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

5.3 Directors who retired on or before December 12, 1997 will receive the form and amount of retirement benefit payable under the terms of the Plan in effect at the time of their retirement.

5.4 Each Director who is granted a retirement benefit hereunder shall make him or herself available for such consultation with the Board of Directors or any committee or member thereof, as may be reasonably requested from time to time by the Chairman of the Board of Directors, following such Director's termination of service as a Director. The Company shall reimburse each such Director for all reasonable travel, lodging and subsistence expenses incurred by the Director at the request of the Company in rendering such consultation. The Company may terminate the retirement benefit if the Director should fail to render such consultation, unless prevented by disability or other reason beyond the Director's control.

5.5 It is recognized that during a Director's period of service as a Director and as a consultant hereunder, a Director will acquire knowledge of the affairs of the Company and its subsidiaries, the disclosure of which would be contrary to the best interests of the Company. Accordingly, the Company may terminate the retirement benefit if, without the express consent of the Company, the Director accepts election to the Board of Directors of, acquires a partnership or proprietary interest in, or renders services as an employee or consultant to, any business entity which is engaged in substantial competition with the Company or any of its subsidiaries.

5.6 An individual will be considered a Director's "surviving spouse" for purposes of this Section 5 only if the Director and such individual were married in a religious or civil ceremony recognized under the laws of the state where the marriage was contracted and the marriage remained legally effective at the date of the Director's death.

SECTION 6
CONVERSION TO COMMON STOCK UNITS

6.1 Any Director who is then serving as a director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees previously earned but not yet paid, transferred from the Director's Deferred Fee Account to a Stock Account maintained on his or her behalf pursuant to paragraph 9.3. Any election as to a portion of such fees shall be expressed as a percentage and the same percentage shall be applied to all such fees regardless of the calendar year in which earned or to all deferred fees earned in designated calendar years, as specified by the Director. A Director may make no more than one election under this paragraph 6.1 in any calendar year. All such elections may apply only to deferred fees for which an election has not previously been made and shall be irrevocable.

6.2 Any Director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees earned subsequent to the date such notice is filed credited to a Stock Account established under this Section 6. Fees covered by such election shall be credited to such account at the end of each calendar quarter in, or for which, such fees are earned. Such election may be revoked or modified by such Director, by written notice filed with the Secretary of the Company, as to deferred fees to be earned in calendar years subsequent to the calendar year such notice is filed, but shall be irrevocable as to deferred fees earned prior to such year.

6.3 Deferred fees credited to a Stock Account under paragraph 6.1 shall be converted to Common Stock Units by dividing the deferred fees so credited by the closing price of common shares of the Company on the date notice of election under paragraph 6.1 is received by the Company (or the next business day, if there are no sales on such date) as reported on the New York Stock Exchange Composite Reporting System. Deferred fees credited to a Stock Account under paragraph 6.2 shall be converted to Common Stock Units by dividing the deferred fees so credited by the closing price of common shares of the Company as of the last business day of the calendar quarter for which the credit is made, as reported on the New York Stock Exchange Composite Reporting System.

6.4 Each Common Stock Unit shall be credited with the same cash and stock dividends, stock splits and other distributions and adjustments as are received by one common share of the Company. All cash dividends and other cash distributions credited to Common Stock Units shall be converted to additional Common Stock Units by dividing each such dividend or distribution by the closing price of common shares of the Company on the payment date for such dividend or distribution, as reported by the New York Stock Exchange Composite Reporting System.

6.5 The value of the Common Stock Units credited each Director shall be paid the Director in cash on the dates specified in paragraph 4.2 (or, if applicable, paragraph 4.4). The amount of each payment shall be determined by multiplying the Common Stock Units payable on each date specified in paragraph 4.2 (or, if applicable, paragraph 4.4) by the closing price of common shares of the Company on the day prior to that date (or the next preceding business day if there are no sales on such date), as reported by the New York Stock Exchange Composite Reporting System.

SECTION 7
MISCELLANEOUS

7.1 Each Director or former Director entitled to payment of deferred fees hereunder, from time to time may name any person or persons (who may be named contingently or successively) to whom any deferred Director's fees earned by him and payable to him are to be paid in case of his death before he receives any or all of such deferred Director's fees. Each designation will revoke all prior designations by the same Director or former Director, shall be in form prescribed by the Company, and will be effective only when filed by the Director or former Director in writing with the Secretary of the Company during his lifetime. If a deceased Director or former Director shall have failed to name a beneficiary in the manner provided above, or if the beneficiary named by a deceased Director or former Director dies before him or before payment of all the Director's or former Director's deferred Directors' fees, the Company, in its discretion, may direct payment in a single sum of any remaining deferred Directors' fees to either:

- (a) any one or more or all of the next of kin (including the surviving spouse) of the Director or former Director, and in such proportions as the Company determines; or
- (b) the legal representative or representatives of the estate of the last to die of the Director or former Director and his last surviving beneficiary.

The person or persons to whom any deceased Director's or former Director's deferred Directors' fees are payable under this paragraph will be referred to as his "beneficiary."

7.2 Establishment of the Plan and coverage thereunder of any person shall not be construed to confer any right on the part of such person to be nominated for reelection to the Board of Directors of the Company, or to be reelected to the Board of Directors.

7.3 Payment of deferred Directors' fees will be made only to the person entitled thereto in accordance with the terms of the Plan, and deferred Directors' fees are not in any way subject to the debts or other obligations of persons entitled thereto, and may not be voluntarily or involuntarily sold, transferred or assigned. When a person entitled to a payment under the Plan is under legal disability or, in the Company's opinion, is in any way incapacitated so as to be unable to manage his financial affairs, the Company may direct that payment be made to such person's legal representative, or to a relative or friend of such person for his benefit. Any payment made in accordance with the preceding sentence shall be in complete discharge of the Company's obligation to make such payment under the Plan.

7.4 Any action required or permitted to be taken by the Company under the terms of the Plan shall be by affirmative vote of a majority of the members of the Board of Directors then in office.

SECTION 8
AMENDMENT AND DISCONTINUANCE

While the Company expects to continue the Plan, it must necessarily reserve, and does hereby reserve, the right to amend or discontinue the Plan at any time; provided, however, that any amendment or discontinuance of the Plan shall be prospective in operation only, and shall not affect the payment of any deferred Directors' fees theretofore earned by any Director, or the conditions under which any such fees are to be paid or forfeited under the Plan, unless the Director affected shall expressly consent thereto.

SECTION 9
ALTERNATE PAYMENT OF DEFERRED FEES

9.1 By written notice filed with the Secretary of the Company prior to calendar years beginning after December 31, 1988 (or, for the calendar year he first becomes a Director within 30 days of becoming a Director), a Director may elect to receive all or any portion of his deferred fees earned in such calendar years in a lump sum in accordance with the provisions of this Section 9. An election under this subsection 9.1 may be revoked or modified by the Director by written notice to the Secretary of the Company as to deferred fees earned under Section 3 in calendar years beginning after the calendar year in which he files such notice. Any amounts that were deferred for calendar years beginning before January 1, 1989 shall automatically be paid as provided in this Section 9.

9.2 If payment of a Director's deferred fees is made pursuant to paragraph 9.1, a portion of such fees shall be paid in cash for the Director directly to a "Grantor Trust" established by the Director, provided such trust is in a form which the Company determines to be substantially similar to the trust attached to this plan as Exhibit A; and the balance of the deferred fees shall be paid in cash directly to the Director, provided that the payment made directly to the Director shall approximate the aggregate federal, state and local individual income taxes attributable to the deferred fees paid pursuant to this paragraph 9.2.

9.3 The Company will establish and maintain four separate accounts in the name of each Director, "a Deferred Fee Account", a "Deferred Fee Trust Account", a "Stock Account" and a "Stock Trust Account". The Deferred Fee Account shall reflect the deferred fees and interest to be credited to a Director pursuant to Section 3. The Deferred Fee Trust Account shall reflect any deferred fees paid in cash to a Director (including amounts paid to a Director's Grantor Trust and allocated to the deferred account maintained thereunder) pursuant to paragraph 9.2 and any adjustments made pursuant to paragraph 9.4. The Stock Account shall reflect the deferred fees converted to Common Stock Units pursuant to Section 6 and any adjustments made pursuant to that Section. The Stock Trust Account shall reflect deferred fees that have been converted to Common Stock Units under Section 6 and paid in cash to a Director (including amounts paid to a Director's Grantor Trust and allocated to the stock account maintained thereunder) pursuant to paragraph 9.2 and any adjustments made pursuant to paragraph 9.5. The Accounts established pursuant to this paragraph 9.3 are for the convenience of the administration of the plan and no trust relationship with respect to such Accounts is intended or should be implied.

9.4 As of the end of each calendar year, the Company shall adjust each Director's Deferred Fee Trust Account as follows:

- (a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the deferred account maintained under his or her Grantor Trust (other than distributions of trust earnings in excess of the Net Interest Accrual authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below); multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Deferred Fee Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the deferred account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;
- (b) NEXT, credit an amount equal to the deferred fees that have not been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the deferred account maintained thereunder) pursuant to paragraph 9.2; and
- (c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to paragraph 9.6.

9.5 As of the end of each calendar year, the Company shall adjust each Director's Stock Trust Account as follows:

- (a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the stock account maintained under his or her Grantor Trust (other than distributions of trust earnings authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below); multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Stock Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the stock account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;
- (b) NEXT, credit an amount equal to the deferred fees that have been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the stock account maintained thereunder) pursuant to paragraph 9.2; and
- (c) FINALLY, credit an amount equal to the Book Value Adjustments to be made for that year pursuant to paragraph 9.6.

9.6 As of the end of each calendar year, a Director's Deferred Fee Trust Account shall be credited with interest at the rate described in paragraph 3.7. Any amount so credited shall be referred to as a Director's "Interest Accrual". As of that same date, a Director's Stock Trust Account shall be adjusted as provided in paragraph 6.4, and shall also be adjusted to reflect the

increase or decrease in the fair market value of the Company's common stock determined in accordance with paragraph 6.5. Such adjustments shall be referred to as "Book Value Adjustments."

9.7 In addition to any fees earned by a Director under Section 3 of this plan or paid under paragraphs 4.1 or 9.1 the Company shall also make a payment to a Director's Grantor Trust (a "Guaranteed Rate Payment"), to be credited to the deferred account maintained thereunder, for any year in which the net income credited to the deferred account maintained under such trust does not equal or exceed the Director's Net Interest Accrual for that year. A Director's "Net Interest Accrual" for a year is an amount equal to: (a) the Interest Accrual credited to the Director's Deferred Fee Trust Account for that year; less (b) the product of (i) the amount of such Interest Accrual, multiplied by (ii) the aggregate of the federal, state and local individual income tax rates (determined in accordance with paragraph 9.10). The Guaranteed Rate Payment shall equal the difference between the Director's Net Interest Accrual and the net income credited to the deferred account maintained under the Director's Grantor Trust for the year, and shall be paid within 90 days of the end of that year.

9.8 The Company shall also make a payment to a Director's Grantor Trust (a "Guaranteed Principal Payment"), to be credited to the stock account maintained thereunder, to the extent that the balance in the stock account as of the end of any calendar year is less than 75 percent of the balance of the Director's Stock Trust Account (net of federal, state and local income taxes) as of that same date. For the calendar year in which the last installment distribution is made from the Director's Grantor Trust, the payment made under this paragraph 9.8 shall equal the amount, if any, needed to increase the fair market value of the stock account maintained under the Director's Grantor Trust; such that if a distribution of the stock account were then made to the Director, the Director would receive the same amount he or she would have received (net of federal, state and local income taxes) if his or her Stock Trust Account were to be distributed on that same date with the deferred fees that had been allocated to that Account taxed at the federal, state and local income tax rates in effect on the date the fees were credited to the Account and the balance of the Account taxed at the federal, state and local income tax rates in effect on the date of the distribution. Payments required under this paragraph 9.8 shall be made within 90 days of the end of the calendar year, except the last payment which shall be made not later than the due date of the last installment distribution from the Director's Grantor Trust.

9.9 In addition to the fees provided under Section 3, each Director (or, if the Director is deceased, the beneficiary designated under the Director's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his or her Deferred Fee Trust Account or Stock Trust Account. The "Tax Gross Up" shall approximate: (a) the amount necessary to compensate the Director (or beneficiary) for the net increase in his or her federal, state and local income taxes as a result of the inclusion in the Director's (or beneficiary's) taxable income of the income of his or her Grantor Trust and any Guaranteed Rate and Guaranteed Principal Payments for that year; less (b) any distribution to the Director (or beneficiary) of his or her Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the Director (or beneficiary) for the net increase in the taxes described in (a) above as a result of the inclusion in his or her taxable income of any payment made pursuant to this paragraph 9.9.

9.10 For purposes of this Section, a Director's federal income tax rate shall be deemed to be the highest marginal rate of federal individual income tax in effect in the calendar year in which a calculation under this Section is to be made and state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and locality of the Director's residence on the date such a calculation is made, net of any federal tax benefits. Notwithstanding the preceding sentence, if a Director is not a citizen or resident of the United States, his or her income tax rates shall be deemed to be the highest marginal income tax rates actually imposed on the Director's benefits under this Plan or earnings under his or her Grantor Trust.

9.11 If a Director's deferred fees have been paid to a Grantor Trust(s) pursuant to paragraph 9.2, then at any time (and from time to time) prior to the Director's retirement the Director may elect to have those deferred fees paid to him or her from the Grantor Trust(s) either:

- (i) in the order in which they were earned (i.e., the fees for the earliest year of service as a Director will be the first fees distributed from the Grantor Trust(s), the 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.), or
- (ii) in reverse chronological order from the order in which they were earned (i.e., the fees for the Director's last year of service as a Director will be the first fees distributed from the Grantor Trust(s), the fees for the penultimate year of service as a Director will be paid on the anniversary of the payment of the first installment, etc.).

If a Director fails to elect a manner of payment for his or her deferred fees, then those deferred fees will be paid to the Director in the order in which they were earned. The date on which payments commence and the other terms governing distributions from the Grantor Trust(s) shall be determined in accordance with the terms of the Grantor Trust(s). A Director's deferred fees shall continue to be paid until all deferred fees to which the Director is entitled to receive under the Plan shall have been paid in accordance with the terms of the Grantor Trust(s).

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 depository (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 depository.
- (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 depository, 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 -----

Abbott Laboratories

Computation of Ratio of Earnings to Fixed Charges

(Unaudited)

(dollars in millions except ratios)

	Six Months Ended June 30, 2000 -----
Net Earnings	\$1,378
Add (deduct):	
Taxes on earnings	510
Minority interest	4

Net Earnings as adjusted	\$1,892

Fixed Charges:	
Interest on long-term and short-term debt	65
Capitalized interest cost	8
Rental expense representative of an interest factor	21

Total Fixed Charges	94

Total adjusted earnings available for payment of fixed charges	\$1,986
	=====
Ratio of earnings to fixed charges	21.1
	=====

NOTE:

For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; interest expense; capitalized interest cost, net of amortization; minority interest; and the portion of rentals representative of the interest factor, (ii) Abbott 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.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 2000, AND THE CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

6-MOS		
	DEC-31-2000	
	JAN-01-2000	
	JUN-30-2000	
	1	840,149
		144,102
		2,233,933
		193,056
		1,684,307
	6,898,036	9,938,898
		5,168,128
		14,964,081
4,188,266		1,326,416
	0	0
		2,074,238
		6,110,156
14,964,081		6,723,331
	6,723,331	3,026,701
		3,026,701
		682,959
		(33,883)
		65,233
		1,887,889
		509,730
1,378,159		0
		0
		0
		1,378,159
		0.89
		0.88

OTHER EXPENSES CONSISTS OF RESEARCH AND DEVELOPMENT EXPENSE.