

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2002

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 No

As of March 31, 2002, the Corporation had 1,560,613,859 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 March 31	
	2002	2001
Net Sales	\$ 4,189,289	\$ 3,559,880
Cost of products sold	1,896,077	1,643,318
Research and development	356,681	318,280
Acquired in-process research and development	—	1,015,000
Selling, general and administrative	891,686	747,013
Total Operating Cost and Expenses	3,144,444	3,723,611
Operating Earnings (Loss)	1,044,845	(163,731)
Net interest expense	52,886	26,721
(Income) Loss from TAP Pharmaceutical Products Inc. joint venture	(158,462)	193,943
Net foreign exchange loss	24,723	9,070
Other (income) expense, net	(5,799)	(4,781)
Earnings (Loss) Before Taxes	1,131,497	(388,684)
Taxes on earnings (loss)	277,217	(165,071)
Net Earnings (Loss)	\$ 854,280	\$ (223,613)

Basic Earnings (Loss) Per Common Share	\$ 0.55	\$ (0.14)
Diluted Earnings (Loss) Per Common Share	\$ 0.54	\$ (0.14)
Cash Dividends Declared Per Common Share	\$ 0.235	\$ 0.21
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,557,723	1,547,072
Dilutive Common Stock Options	21,675	—
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,579,398	1,547,072
Outstanding Common Stock Options Having No Dilutive Effect	22,558	92,791

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

2

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

	Three Months Ended March 31	
	2002	2001
Cash Flow From (Used in) Operating Activities:		
Net earnings (loss)	\$ 854,280	\$ (223,613)
Adjustments to reconcile net earnings to net cash from operating activities—		
Depreciation	241,110	204,798
Amortization of intangibles	82,011	25,270
Acquired in-process research and development	—	1,015,000
Trade receivables	62,891	74,907
Inventories	(176,016)	(166,095)
Other, net	99,337	(11,701)
Net Cash From Operating Activities	1,163,613	918,566
Cash Flow From (Used in) Investing Activities:		
Acquisition of the pharmaceutical business of BASF	—	(6,376,439)
Acquisitions of property and equipment	(324,914)	(236,773)
Investment securities transactions	23,343	(29,884)
Other	5,765	11,808
Net Cash (Used in) Investing Activities	(295,806)	(6,631,288)
Cash Flow From (Used in) Financing Activities:		
Proceeds from (repayments of) commercial paper, net	(390,000)	5,506,000
Other borrowing transactions, net	2,932	(8,147)
Common share transactions	108,431	30,896
Dividends paid	(326,598)	(288,803)
Net Cash (Used in) From Financing Activities	(605,235)	5,239,946
Effect of exchange rate changes on cash and cash equivalents	25,033	50,748
Net Increase (Decrease) in Cash and Cash Equivalents	287,605	(422,028)
Cash and Cash Equivalents, Beginning of Year	657,378	914,218
Cash and Cash Equivalents, End of Period	\$ 944,983	\$ 492,190

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

3

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

	March 31 2002	December 31 2001
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 944,983	\$ 657,378
Investment securities	48,896	56,162
Trade receivables, less allowances of \$178,082 in 2002 and \$195,585 in 2001	2,644,357	2,812,727
Inventories:		
Finished products	1,239,458	1,154,329
Work in process	538,687	487,310
Materials	555,708	570,396
Total inventories	2,333,853	2,212,035
Prepaid expenses, income taxes, and other receivables	2,103,432	2,680,887
Total Current Assets	8,075,521	8,419,189
Investment Securities Maturing after One Year	634,211	647,214
Property and Equipment, at Cost	11,194,698	11,225,405
Less: accumulated depreciation and amortization	5,724,564	5,673,858
Net Property and Equipment	5,470,134	5,551,547
Deferred Charges and Income Taxes, Investment in Joint Ventures and Other Assets	1,311,087	1,384,153
Goodwill	3,240,160	3,177,646
Intangible Assets, net of amortization	4,034,663	4,116,674
	\$ 22,765,776	\$ 23,296,423
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 2,576,102	\$ 2,953,335
Trade accounts payable	1,017,189	1,525,215
Salaries, income taxes, dividends payable, and other accruals	3,358,779	3,448,267
Total Current Liabilities	6,952,070	7,926,817
Long-Term Debt	4,324,300	4,335,493
Other Liabilities and Deferrals	2,043,603	1,974,681
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: 2002: 1,576,557,543; 2001: 1,571,816,976	2,794,634	2,643,443
Common shares held in treasury, at cost—		
Shares: 2002: 15,943,684; 2001: 17,286,684	(232,826)	(252,438)
Unearned compensation—restricted stock awards	(91,283)	(18,258)
Earnings employed in the business	7,783,047	7,281,395
Accumulated other comprehensive loss	(807,769)	(594,710)
Total Shareholders' Investment	9,445,803	9,059,432
	\$ 22,765,776	\$ 23,296,423

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

Abbott Laboratories and Subsidiaries
Notes to Condensed Consolidated Financial Statements
March 31, 2002
(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, 2001.

Note 2—Supplemental Financial Information

Three Months Ended March 31	
2002	2001

Net interest expense:		
Interest expense	\$ 62,941	\$ 51,046
Interest income	(10,055)	(24,325)
Total	\$ 52,886	\$ 26,721

Note 3—Taxes on Earnings

Taxes on earnings reflect the estimated annual effective rates, and for 2001, include the effect of the charge for acquired in-process research and development and the adjustment to the TAP Pharmaceutical Products Inc. joint venture income relating to the Department of Justice investigation. The effective tax rates, net of the effect of the 2001 charges, are less than the statutory U.S. Federal income tax rate principally due to the domestic dividend exclusion and the benefit of tax exemptions in several taxing jurisdictions.

Note 4—Litigation and Environmental Matters

Abbott is involved in various claims and legal proceedings including a number of 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 as defendants. The cases seek treble damages, civil penalties, and injunctive and other relief. Abbott has filed a response to each of the complaints denying all substantive allegations.

There are several lawsuits pending in connection with the sales of *Hytrin*. These suits allege that Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws by signing patent 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

5

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.

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

Within the next year, legal proceedings may 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.

Note 5—TAP Pharmaceutical Products Inc.

In 2001, TAP Pharmaceutical Products Inc. (TAP) entered into an agreement with the United States Department of Justice to settle matters relating to its investigation involving TAP's marketing of its prostate cancer drug, *Lupron*. In the first quarter of 2001, Abbott's income from the TAP joint venture was reduced by a charge of \$344 million relating to this investigation.

TAP and Abbott have been named as defendants in several lawsuits alleging violations of various state or federal laws in connection with TAP's marketing and pricing of *Lupron*. Abbott intends to file a response to each of the lawsuits denying all substantive allegations.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by TAP and Abbott. While it is not feasible to predict the outcome of such pending claims, proceedings, and investigations with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 6—U.S. Food and Drug Administration Consent Decree

In November 1999, Abbott reached agreement with the U.S. government to have a consent decree entered to settle issues involving Abbott's diagnostics manufacturing operations in Lake County, Ill. The decree, which was amended in December 2000, requires Abbott to ensure its diagnostics manufacturing processes in Lake County conform with the U.S. Food and Drug Administration's (FDA) Quality System Regulation (QSR). The decree allows for the continued manufacture and distribution of medically necessary diagnostic products made in Lake County. However, Abbott is prohibited from manufacturing or distributing certain diagnostic products until Abbott ensures the processes in its Lake County diagnostics manufacturing operations conform with the QSR. The 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. Under the terms of the amended consent decree, Abbott must ensure its diagnostics manufacturing operations are in conformance with the QSR by various dates through January 15, 2001. The FDA will determine Abbott's conformance with the QSR after an inspection of Abbott's facilities. The FDA concluded its inspection of Abbott's facilities and issued its observations in January 2002. In February 2002, Abbott submitted its response to those observations. The FDA is expected to respond back to Abbott in mid- to late-May 2002, at which time the FDA is expected to conclude whether the operations are in conformance with the QSR. If the FDA concludes that the operations are not in conformance with the QSR, Abbott may be subject to additional costs.

6

Note 7—Comprehensive Income, net of tax

(dollars in thousands)

	Three Months Ended March 31	
	2002	2001
Foreign currency translation adjustments	\$ (204,951)	\$ 46,247
Unrealized gains (losses) on marketable equity securities	6,491	(11,447)
Net gains (losses) on derivative instruments designated as cash flow hedges	(3,681)	—
Reclassification adjustment for realized gains	(10,918)	(18,299)
Other comprehensive (loss) income, net of tax	(213,059)	16,501
Net Earnings (Loss)	854,280	(223,613)
Comprehensive Income (Loss)	\$ 641,221	\$ (207,112)

Supplemental Comprehensive Income Information, net of tax:

Cumulative foreign currency translation loss adjustments	\$	840,873	\$	584,646
Cumulative unrealized (gains) losses on marketable equity securities		(25,377)		2,065
Cumulative (gains) on derivative instruments designated as cash flow hedges		(7,727)		—

Note 8—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. 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

7

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.

	Three Months Ended March 31			
	Net Sales to External Customers		Operating Earnings (Loss)	
	2002	2001	2002	2001
Pharmaceutical	\$ 950	\$ 715	\$ 291	\$ 225
Diagnostics	679	704	62	85
Hospital	674	635	183	167
Ross	579	590	241	255
International	1,223	843	347	215
Total Reportable Segments	4,105	3,487	1,124	947
Other	84	73		
Net Sales	\$ 4,189	\$ 3,560		
Corporate functions			47	48
Benefit plans costs			31	20
Non-reportable segments			7	2
Net interest expense			53	27
Acquired in-process research and development			—	1,015
(Income) loss from TAP Pharmaceutical Products Inc.			(158)	194
Net foreign exchange loss			25	9
Other expense (income), net			(12)	21
Consolidated Earnings (Loss) Before Taxes			\$ 1,131	\$ (389)

Note 9—Restructuring Charges

(dollars in millions)

In 2001, Abbott began implementing restructuring plans related primarily to the operations of the acquired pharmaceutical business of BASF. The following summarizes the restructuring activity:

	Employee Related And Other
Accrued balance at December 31, 2001	\$ 88.8
Restructuring charges, recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF	59.3
Payments and other	(28.7)
Accrued balance at March 31, 2002	\$ 119.4

Note 10—Sale of Selsun Blue Product Rights

In the first quarter 2002, Abbott sold its U.S. *Selsun Blue* product rights and recorded the transaction in Net Sales in accordance with Abbott's revenue recognition accounting policies. Sale of the international product rights will be recorded as the appropriate regulatory approvals are received.

Note 11—Goodwill and Intangible Assets

(dollars in millions except per share amounts)

will be subject to at least an annual assessment of impairment by applying a fair-value-based test. Abbott will complete its assessment of goodwill impairment by June 2002. In 2002, Abbott recorded goodwill of \$62.5 primarily related to restructuring charges associated with the acquisition of the pharmaceutical business of BASF. There were no reductions of goodwill in 2002 relating to impairments or disposal of all or a portion of a business. For internal management reporting purposes, goodwill is not allocated to reportable segments.

The following pro forma financial information reflects net income and diluted earnings per share as if goodwill and certain intangibles were not subject to amortization for the three months ended March 31, 2001.

	Three Months Ended March 31, 2001	
	Net (Loss)	(Loss) per Share
Amounts as reported	(223.6)	(0.14)
Amortization, net of income taxes	9.9	—
Proforma amounts	(213.7)	(0.14)

The gross amount and accumulated amortization of amortizable intangible assets is as follows:

	March 31, 2002		December 31, 2001	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product Rights and Technology	\$ 4,167	\$ 431	\$ 4,167	\$ 352
Patient Base and Other	192	41	192	38
Total	\$ 4,359	\$ 472	\$ 4,359	\$ 390

The estimated annual amortization expense for intangible assets as of December 31, 2001 is \$328 in 2002, 2003 and 2004, \$323 in 2005, and \$314 in 2006. The net amount of intangible assets with indefinite lives, primarily registered tradenames, not subject to amortization is \$148 at March 31, 2002 and December 31, 2001.

Note 12—Business Combinations

On March 18, 2002, Abbott and Biocompatibles International plc reached an agreement for Abbott to acquire the cardiovascular stent business of Biocompatibles for approximately \$235 million in cash. The transaction is expected to be completed in the second quarter of 2002, subject to regulatory approvals and customary closing conditions, and will result in a yet-to-be-determined charge for acquired in-process research and development.

On March 2, 2001, Abbott acquired, for cash, the pharmaceutical business of BASF, which includes the global operations of Knoll Pharmaceuticals, for approximately \$7.2 billion. The acquisition is accounted for under the purchase method of accounting.

Note 13—Subsequent Event

In April 2002, Abbott announced a tender offer in Japan of \$292 million to acquire the remaining 33.3 percent of the issued common shares of Hokuirku Seiyaku that it did not acquire through its purchase of the pharmaceutical business of BASF in 2001. The tender offer will commence on April 23, 2002 and expire on May 30, 2002.

FINANCIAL REVIEW

Results of Operations—First Quarter of 2002 Compared with Same Period in 2001

The following table details sales by reportable segment for the first quarter 2002:

	Three Months Ended March 31		
	Net Sales to External Customers		Percentage Change (a)
	2002	2001	
	(dollars in millions)		
Pharmaceutical	\$ 950	\$ 715	32.8
Diagnostics	679	704	(3.6)
Hospital	674	635	6.1
Ross	579	590	(1.9)
International	1,223	843	45.1
Total Reportable Segments	4,105	3,487	17.7
Other	84	73	
Net Sales	\$ 4,189	\$ 3,560	17.7
Total U.S.	\$ 2,572	\$ 2,293	12.2
Total International	\$ 1,617	\$ 1,267	27.6

Worldwide sales for the first quarter reflect primarily unit growth. Excluding the negative effect of the relatively stronger U.S. dollar, sales increased 20.2 percent over the first quarter 2001. Pharmaceutical and International segment sales were favorably impacted by the acquisition of the pharmaceutical business of BASF on March 2, 2001. Diluted earnings per common share for the quarter were 54 cents, compared to diluted loss per common share of 14 cents a year ago.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) was 54.7 percent for the first quarter 2002, compared to 53.8 percent for the first quarter 2001. This increase was due primarily to favorable product mix; partially offset by increased intangibles amortization as a result of the acquisition of the pharmaceutical business of BASF.

Research and development expenses for the first quarter 2002 increased 12.1 percent over the comparable 2001 period, excluding acquired in-process research and development of \$1.015 billion in the first quarter of 2001. The majority of research and development expenditures continues to be concentrated on pharmaceutical products.

Selling, general and administrative expenses for the first quarter 2002 increased 19.4 percent over the comparable 2001 period, due primarily to increased spending as a result of the acquisition of the pharmaceutical business of BASF and increased selling and marketing support for new and existing products.

As a result of the consent decree entered into with the U.S. government in 1999, as discussed in Note 6, 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 U.S. Food and Drug Administration's (FDA) Quality System Regulation (QSR). Under the terms of the amended consent decree, Abbott must ensure its diagnostics manufacturing operations are in conformance with the QSR by various dates through January 15, 2001. The FDA will determine Abbott's compliance with the QSR after an inspection of Abbott's facilities. The FDA concluded its

10

inspection of Abbott's facilities and issued its observations in January 2002. In February 2002, Abbott submitted its response to those observations. The FDA is expected to respond back to Abbott in mid- to late-May 2002, at which time the FDA is expected to conclude whether the operations are in conformance with the QSR. If the FDA concludes that the operations are not in conformance with the QSR, Abbott may be subject to additional costs.

The FDA announced in 1997 that all manufacturers of levothyroxine drug products (*Synthroid*), most of which had been on the market for many years, would be required as part of the agency's regulatory process to file either a New Drug Application (NDA), or a citizen petition showing that their products are not new drugs and therefore do not require an NDA. *Synthroid's* manufacturer at the time, Knoll Pharmaceutical Company, which Abbott acquired in March 2001, exercised the citizen petition option because of *Synthroid's* long history and excellent track record. On April 26, 2001, the FDA denied Knoll's petition. Abbott promptly responded to the FDA that Abbott would submit an NDA for *Synthroid*, which Abbott submitted on August 1, 2001. Abbott expects that the NDA review process will take approximately 10 to 12 months from the date the FDA filed the NDA. On July 11, 2001, the FDA published guidance on the distribution of levothyroxine sodium products during the NDA review process. The guidance allows *Synthroid* to remain on the market while the agency reviews the NDA Abbott has submitted for *Synthroid*. However, the guidance also requires that levothyroxine sodium products without approved NDAs are subject to gradually reducing quarterly limits on distribution as measured against the average monthly distribution during the six months ended August 1, 2001. By August 14, 2003, all levothyroxine sodium products without approved NDAs would be required to cease distribution. Upon NDA approval, the limits on distribution will be removed. In 2001, Abbott recorded U.S. net sales of *Synthroid* of \$445 million.

Business Combination

On March 18, 2002, Abbott and Biocompatibles International plc reached an agreement for Abbott to acquire the cardiovascular stent business of Biocompatibles for approximately \$235 million in cash. The transaction is expected to be completed in the second quarter of 2002, subject to regulatory approvals and customary closing conditions, and will result in a yet-to-be-determined charge for acquired in-process research and development.

On March 2, 2001, Abbott acquired, for cash, the pharmaceutical business of BASF, which includes the global operations of Knoll Pharmaceuticals, for approximately \$7.2 billion. The acquisition is accounted for under the purchase method of accounting.

Restructuring Charges

(dollars in millions)

In 2001, Abbott began implementing restructuring plans related primarily to the operations of the acquired pharmaceutical business of BASF. The following summarizes the restructuring activity:

	<u>Employee Related And Other</u>
Accrued balance at December 31, 2001	\$ 88.8
Restructuring charges, recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF	59.3
Payments and other	(28.7)
	<u>119.4</u>
Accrued balance at March 31, 2002	\$ 119.4

11

Sale of *Selsun Blue* Product Rights

In the first quarter 2002, Abbott sold its U.S. *Selsun Blue* product rights and recorded the transaction in Net Sales in accordance with Abbott's revenue recognition accounting policies. Sale of the international product rights will be recorded as the appropriate regulatory approvals are received.

Net Interest Expense

Net interest expense increased in the first quarter of 2002 due primarily to the acquisition of the pharmaceutical business of BASF in 2001.

Income from TAP Pharmaceutical Products Inc. Joint Venture

For the three months ended March 31, 2001, Abbott's income from TAP Pharmaceutical Products Inc. (TAP) joint venture was adversely affected as a result of the U.S. Department of Justice investigation of TAP's marketing of *Lupron* as discussed in Note 5 to the condensed consolidated financial statements.

Taxes on Earnings

Taxes on earnings reflect the estimated annual effective rates, and for 2001, include the effect of the charge for acquired in-process research and development and the adjustment to the TAP Pharmaceutical Products Inc. joint venture income relating to the Department of Justice investigation. The effective tax rates, net of these 2001 charges, are less than the statutory U.S. Federal income tax rate principally due to the domestic dividend exclusion and the benefit of tax exemptions in several taxing jurisdictions.

Earnings (in millions, except per share amounts)

Abbott recorded certain nonrecurring charges to earnings in the first quarter 2001 primarily related to the acquisition of the pharmaceutical business of BASF and other items. Management's analysis of these nonrecurring items compared to reported net income and diluted earnings per share for the three months ended March 31, 2001, in accordance with generally

accepted accounting principles (GAAP) is as follows:

Description	Amount
Acquired in-process research and development	1,015
TAP Pharmaceutical Products Inc. joint venture income adjustment relating to <i>Lupron</i>	344
Acquisition related charges other than acquired in-process research and development	15

Total pretax nonrecurring charges	1,374
Taxes on nonrecurring charges	415

Net income effect of nonrecurring charges	959
Net loss as reported (GAAP)	(224)

Net income excluding nonrecurring charges	735

Diluted earnings per share effect of nonrecurring charges	0.61
Diluted loss per share as reported (GAAP)	(0.14)

Diluted earnings per share excluding nonrecurring charges	0.47

12

Liquidity and Capital Resources at March 31, 2002 Compared with December 31, 2001

Net cash from operating activities for the first quarter 2002 totaled \$1.2 billion. Abbott expects annual cash flow from operating activities to continue to approximate or exceed Abbott's capital expenditures and cash dividends.

At March 31, 2002, Abbott had working capital of \$1.1 billion compared to working capital of approximately \$492 million at December 31, 2001. The increase in working capital in 2002 was primarily due to operating cash flows used to decrease short-term commercial paper borrowings.

At March 31, 2002, Abbott's bond ratings were AA by Standard & Poor's Corporation and Aa3 by Moody's Investors Service. Abbott has readily available financial resources, including unused domestic lines of credit of \$3.0 billion, which support domestic commercial paper borrowing arrangements.

Under a registration statement filed with the Securities and Exchange Commission in February 2001, Abbott may issue up to \$250 million of securities in the future in the form of debt securities or common shares without par value.

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.

Private Securities Litigation Reform Act of 1995—A Caution Concerning Forward-Looking Statements

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, 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.

13

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

In its 2001 Form 10-K, Abbott reported that a number of prescription pharmaceutical pricing antitrust suits were pending in federal and state courts as purported class actions alleging that Abbott, other pharmaceutical manufacturers and pharmaceutical wholesalers conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies in violation of state and federal antitrust laws. The federal cases were pending in the United States District Court for the Northern District of Illinois under the Multidistrict Litigation Rules as *In re: Brand Name Prescription Drug Antitrust Litigation, MDL 997*. An order has been issued remanding the Sherman Act claims in the federal cases to their courts of original jurisdiction. The Robinson-Patman Act claims in the federal cases against Abbott remain pending in the Northern District of Illinois.

As previously reported in Abbott's 2001 Form 10-K, six cases were pending as purported class actions on behalf of individuals or entities that allege generally that Abbott and other pharmaceutical companies reported false information in connection with certain drugs that are reimbursable under Medicare and Medicaid, and generally seek damages, treble damages, disgorgement of profits, restitution and attorneys' fees. The following three additional cases have been filed: *Mary Robinson and Maggie Hudson v. Abbott Laboratories, Inc., Baxter International, Baxter Healthcare Corp., Baxter Pharmaceutical Products, Inc., Bayer Corp., Bristol-Myers Squibb Co., Glaxosmithkline Corp., Glaxo Wellcome, Inc., Pharmacia Corp., Pharmacia & Upjohn Co., Smith Kline Beecham Corp., and TAP Holdings, Inc.*, filed in March 2002 in the United States District Court for the Western District of Louisiana; *State of Montana ex rel. Mike McGrath, Attorney General v. Abbott Laboratories, Inc., American Home Products Corporation, Amgen Inc., Astrazeneca, Aventis Pharma, Chiron, Baxter Pharmaceutical Products, Inc., Bristol-Myers Squibb Company, Dey, Inc., Smithkline Beecham Corporation d/b/a Glaxosmithkline Corporation, Pharmacia Corporation, Hoechst Marion Roussel, Inc., Immunex Corporation, Eli Lilly and Company, Schering-Plough Corp., Pharmacia & Upjohn Company, Smith Kline Beecham Corporation, Warrick Pharmaceuticals Corporation, and Does 1 through 400*, filed in February 2002 in the First Judicial District Court for the State of Montana for Lewis and Clark County, Montana; and *United Food and Commercial Workers Unions and Employers Midwest Health Benefits Fund, and Action Alliance of Senior Citizens of Greater Philadelphia v. Abbott Laboratories*, filed in November 2001 in the United States District Court for the Northern District of Illinois. Some of the plaintiffs and defendants in the federal cases have moved to consolidate all of the federal cases under the Multidistrict Litigation Rules. The following previously reported case was removed to the United States District Court for the Central District of California: *Shirley Geller v. Abbott Laboratories, Inc., Baxter International, Glaxo Wellcome, Inc., Smithkline Beecham, Bristol-Myers Squibb Company, and Does 1 through 100* (filed in October 2001 in state court in Superior Court for the County of Los Angeles, California).

In its 2001 Form 10-K, Abbott reported that a number of cases have been brought against TAP, Abbott and Takeda Chemical Industries, Ltd. in various courts that generally allege that TAP reported false pricing information in connection with *Lupron*, a product reimbursable under Medicare. The previously reported federal court cases have been consolidated in the United States District Court in Massachusetts under the Multidistrict Litigation Rules as *In re Lupron Marketing and Sales Practices Litigation, MDL 1430*. In its 2001 Form 10-K, Abbott reported that four

January 16, 2002. Four additional state cases have been filed. These cases include: *Farris* (filed December 19, 2001 in San Francisco, California); *Stetser* (filed December 31, 2001 in New Hanover County, North Carolina); *Benoit* (filed February 22, 2002 in Jefferson County, Texas); and *Swanston* (filed March 15, 2002 in Maricopa County, Arizona). Each case purports to be a class or representative action on behalf of individuals and/or insurance plans that paid any portion of the twenty percent co-payment cost under Medicare for Lupron based on its average wholesale price. Two similar cases have been filed in the United States District Court in Massachusetts by insurance carriers, but not as class actions or representative actions. They are: *Empire Healthchoice* (filed January 3, 2002) and *Blue Cross and Blue Shield of Florida* (filed January 21, 2002). The cases generally seek treble damages and other relief. Abbott and TAP have filed or intend to file a response in each case denying all substantive allegations.

Abbott has previously reported that *Corwin v. Austin*, a shareholder derivative action relating to the TAP settlement, was pending in the United States District Court for the Northern District of Illinois. On January 29, 2002, the Court granted plaintiff's motion to dismiss the case without prejudice.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on April 26, 2002. The following is a summary of the matters voted on at that meeting.

(a) The shareholders elected the Company's entire Board of Directors. The persons elected to the Company's Board of Directors and the number of shares cast for and the number of shares withheld, with respect to each of these persons, were as follows:

Name	Votes For	Votes Withheld
Roxanne S. Austin	1,317,589,989	11,293,537
H. Laurance Fuller	1,312,716,859	16,166,667
Richard A. Gonzalez	1,318,410,229	10,473,297
Jack M. Greenberg	1,317,450,249	11,433,277
David A. Jones	1,312,182,353	16,701,173
Jeffrey M. Leiden, M.D.	1,318,304,537	10,578,989
The Lord Owen CH	1,318,168,908	10,714,618
Boone Powell, Jr.	1,317,934,877	10,948,649
Addison Barry Rand	1,317,862,468	11,021,058
W. Ann Reynolds, Ph.D.	1,310,900,529	17,982,997
Roy S. Roberts	1,317,686,291	11,197,235
William D. Smithburg	1,315,311,741	13,571,785
John R. Walter	1,311,532,228	17,351,298
Miles D. White	1,317,035,388	11,848,138

(b) The shareholders rejected a shareholder proposal regarding HIV/AIDS-TB-Malaria. The number of shares cast in favor of the shareholder proposal, the number against, the number abstaining, and the number of broker non-votes were as follows:

For	Against	Abstain	Broker Non-Vote
43,546,700	1,043,674,380	37,906,179	203,756,267

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits
 - 2.1 Amendment to Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories recorded on March 12, 2002—attached hereto.

- 3.1 By-Laws of Abbott Laboratories, as amended and effective March 15, 2002—attached hereto.
- 12. Statement re: computation of ratio of earnings to fixed charges—attached hereto.

- b) Reports on Form 8-K
 - On March 21, 2002, Abbott Laboratories filed a Current Report on Securities and Exchange Commission Form 8-K reporting that on March 15, 2002, the Abbott Board of Directors adopted the recommendation of its Audit Committee that Arthur Andersen LLP be replaced as Abbott's auditors.

On April 1, 2002, Abbott Laboratories filed an amended Current Report on Securities and Exchange Commission Form 8-K/A reporting that on March 15, 2002, the Abbott Board of Directors adopted the recommendation of its Audit Committee that Arthur Andersen LLP be dismissed as Abbott's auditors and that this will occur upon the later of: (i) the engagement of a new independent public accounting firm or (ii) the filing of Abbott's quarterly report on Securities and Exchange Commission Form 10-Q for the period ending March 31, 2002.

SIGNATURE

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

ABBOTT LABORATORIES

/s/ THOMAS C. FREYMAN

Thomas C. Freyman,
Senior Vice President, Finance &
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
2.1	Amendment to Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories recorded on March 12, 2002—attached hereto.
3.1	By-Laws of Abbott Laboratories, as amended and effective March 15, 2002—attached hereto.
12	Statement re: computation of ratio of earnings to fixed charges—attached hereto.

QuickLinks

[PART I. FINANCIAL INFORMATION](#)

[Condensed Consolidated Statement of Earnings](#)

[Condensed Consolidated Statement of Cash Flows](#)

[Condensed Consolidated Balance Sheet](#)

[Notes to Condensed Consolidated Financial Statements](#)

[PART II. OTHER INFORMATION](#)

[Item 1. Legal Proceedings](#)

[Item 4. Submission of Matters to a Vote of Security Holders](#)

[Item 6. Exhibits and Reports on Form 8-K](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

AGREEMENT

This Agreement dated March 11, 2002 ("Agreement") is by and between BASF Aktiengesellschaft ("Seller") and Abbott Laboratories ("Purchaser").

WITNESSETH:

WHEREAS, Purchaser and Seller are parties to that certain Purchase Agreement dated as of December 14, 2000 (Number 194 of the Roll of Deeds for 2000 for Dr. Norbert Meister, notar, at Frankfurt am Main), as amended by the Amendment dated as of March 2, 2001 (Number 226 of the Roll of Deeds for 2001 of Dr. Gerhard Pilger, notar, at Frankfurt am Main); the Second Amendment dated as of May 18, 2001 (Number 56 of the Roll of Deeds for 2001 of Dr. Norbert Meister, notar, at Frankfurt am Main), and the Agreement and Third Amendment to the Purchase Agreement dated July 24, 2001 (Number 741 of the Roll of Deeds for 2001 of Dr. Gerhard Pilger, notar, at Frankfurt am Main), pursuant to which Purchaser acquired the Shares and Transferred Patents (collectively, the "Purchase Agreement"); and

WHEREAS, the Parties have taken different positions as to the Pension Indemnification Amount to be determined according to Section 21.4 of the Purchase Agreement, Seller claiming a Seller Pension Indemnification Amount of 39,747,609 Euro, Purchaser claiming a Purchaser Pension Indemnification Amount of 26,252,000 Euro ("Pension Matters").

WHEREAS, Purchaser had made a claim in an e-mail by John Poulos to Seller's Joachim Scholz of January 14, 2002 with regard to IT Disentanglement Costs of USD 25,000,000 as specified in Exhibit 1 which was attached to the e-mail of January 14, 2002 ("IT Matters")

WHEREAS, Purchaser had made a claim in an e-mail by John Poulos to Seller's Joachim Scholz of January 14, 2002 with regard to unanticipated clinical study costs for sibutramine as specified in Exhibit 2 which was attached to the e-mail of January 14, 2002 ("Sibutramine Matter").

WHEREAS, Purchaser had made a claim in an e-mail by John Poulos to Seller's Joachim Scholz of January 14, 2002 with regard to revised terms of the protium contract with BYK Gulden of USD 30,600,000 as specified in Exhibit 3 which was attached to the e-mail of January 14, 2002 ("Protium Matter").

WHEREAS, the Parties have agreed to amicably settle the Pension Matter, the IT Matter, the Sibutramine Matter and the Protium Matter.

NOW, THEREFORE, in full and final settlement of the Pension Matter, the IT Matter, the Sibutramine Matter and the Protium Matter the Parties agree as follows:

1. PENSION MATTER.

- 1.1 The Parties agree that the Purchaser Pension Indemnification Amount and the Seller Pension Indemnification Amount, as the case may be, is zero (0).
- 1.2 Seller shall take the actions described in Exhibit 4.

2. PROTIIUM MATTER

The Parties have agreed to revise Section 15.1(I)(d) of the Purchase Agreement by deleting the clause beginning with "provided that" through the end of such Section and substituting therefore the following:
The Parties acknowledge that Purchaser and certain of its Affiliates have entered into a new Distribution Agreement dated December 20, 2001 with Byk Gulden (the "Byk Gulden Agreement") under financial terms and conditions which are less favorable to Purchaser than those in the Development and Distribution Agreement dated May 1, 1996 between Knoll, Ltd. and Byk Gulden. In satisfaction of Seller's obligations under this Section 15.1(I)(d), commencing on December 1, 2001 and continuing thereafter through the term of the Byk Gulden Agreement, Seller shall pay to Purchaser 28% of the Purchaser's net sales (the "Promotional Fee") of Protium in the United Kingdom, Ireland, Italy and Pakistan.

Such payments shall be made for each Fiscal Quarter. As used herein, a "Fiscal Quarter" shall be a consecutive three-month period commencing on December 1st, March 1st, June 1st and September 1st. Purchaser shall within 15 business days of each calendar quarter provide an accounting of its net sales of Protium to Seller and the amount of the Promotional Fee. Seller shall pay the Promotional Fee to Purchaser within thirty days after receipt by Seller of the statement from Purchaser that sets forth the amount of the Promotional Fee. Seller shall be entitled annually, at Seller's expense, to audit the calculation of the Promotional Fee. The Promotional Fee shall be limited to an aggregate amount that, calculated from the date hereof, has a net present value of US\$30,600,000, with such net present value being calculated with an assumed discount rate of 12.5% (the "NPV Cap"). At such time as the amount of the Promotional Fee made by Seller to Purchaser equals the NPV Cap, Seller shall have no further liability to Purchaser under this Subsection 15.1(I). Attached as Exhibit 3a is an example of the calculation of the Promotional Fee and the application of the NPV Cap.

3. EBEWE INSURANCE CLAIM.

- 3.1 Section 24.19 of the Purchase Agreement is deleted in its entirety.
- 3.2 Seller shall, at the direction of Purchaser, continue to prosecute, bearing its own expenses, the EBEWE insurance claims. Seller shall use its best efforts to settle the EBEWE insurance claims as soon as possible, any settlement being subject to Purchaser's approval. Should the proceeds or

recovery from the EBEWE insurance claims be paid to Seller, Seller shall pay such proceeds or recovery to Purchaser or as designated by Purchaser, provided, that in this case Purchaser holds Seller harmless and indemnifies Seller for any claims by EBEWE based on such payment.

4. SAME INVENTORY. Seller hereby waves any claims against Purchaser for SAME products delivered to Purchaser on an "as is" basis (former Knoll Bioresearch

SPA, San Antonino, Switzerland) and hereby assigns any claims it may have with regard to the quality of such delivery to Purchaser.

5. ALLOCATION.
Within sixty (60) days after the execution of this Agreement, Purchaser will propose an allocation of the adjustment to the Aggregate Purchase Price based upon the adjustments agreed to by the parties in the Third Amendment to the Purchase Agreement and in this Agreement. The parties will agree to a revised Exhibit 8.1 within sixty (60) days thereafter.

6. RESERVATION OF RIGHTS.
Except with regard to the matters expressly dealt with in this Agreement, nothing in this Agreement shall be deemed to be a waiver by either Party of any right that such Party may have under and in accordance with the terms of the Purchase Agreement as amended hereby, or an agreement to forbear from exercising any right or remedy with respect to any provision in the Purchase Agreement including Sections 15 and 18. Purchaser specifically reserves its rights and remedies under the Purchase Agreement, the documents delivered in connection therewith and applicable law.

7. NOTICES.
All notices, statements and other communications to be given with respect to this Agreement shall be in the English language and sent by registered mail, by facsimile transmission or by messenger to the parties at the following addresses or at such other addresses as shall be specified by the parties:

If to Seller: BASF Aktiengesellschaft
 Central Legal Department
 67056 Ludwigshafen, Germany
 Fax: 49-621-60-20410

If to Purchaser: Abbott Laboratories
 D-364, Bldg. AP6D
 100 Abbott Park Road
 Abbott Park, IL 60064-6020
 Fax: 847-938-6277
 Attn: General Counsel

8. ENTIRE AGREEMENT; WRITTEN FORM.
(a) Except with regard to the matters expressly dealt with in this Agreement, the Purchase Agreement shall remain in full force and effect and, together with this Agreement and the Disclosure Letter, shall constitute the entire agreement of the Parties with respect to the subject thereof and hereof and supercede all other prior agreements and undertakings both written and oral among the Parties with respect to the subject matter thereof and hereof. In the event of any translation of this Agreement, the English version shall govern.
(b) Any changes in this Agreement, including, but not limited to, this clause shall only be valid if made in writing and executed by both Seller and Purchaser or, if necessary, in a stricter form.

9. ASSIGNMENT. Neither Seller nor Purchaser may assign any rights or obligations under this Agreement to any third party without the consent of the respective other Party.

10. GOVERNMENT LAW; JURISDICTION.
(a) This Agreement shall be governed by and construed in accordance with the laws of the Federal Republic of Germany, without regard to its choice of law rules.
(b) Except as otherwise expressly stated elsewhere in this Agreement, all disputes arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to

and finally resolved by arbitration in accordance with the Rules of the German Institute of Arbitration e.V. (DIS) without recourse to the ordinary courts of law, provided that the Chairman of the Arbitral Tribunal shall not be of the same nationality as that of any of the parties to a given dispute. The place of arbitration shall be Frankfurt, Germany; the language of the arbitration shall be English.

11. EXPENSES.
- (a) Except as specifically provided otherwise in this Agreement, each Party shall bear its own expenses and fees (including attorneys', accountants', consultants' and advisors' fees) in connection with this Agreement or any of the actions contemplated herein.
 - (b) Fees and costs triggered by the implementation of this Agreement, including but not limited to any notarial fees, any transfer or sales Tax (including any value added Tax and stamp duties and property transfer Tax according to Section 5, Paragraph 3 Grunderwerbssteuergesetz) and any registration or publication fees shall be borne by Purchaser.

12. SEVERABILITY.
Should any of the provisions of this Agreement be or become fully or partly invalid or unenforceable, the remainder of the Agreement shall be valid or enforceable. The invalid or unenforceable provision shall be replaced by a provision which shall come as close as possible to the economic purpose of the invalid provision. Any gaps in this Agreement shall be filled by a provision which the parties as prudent businessmen would be in good faith have agreed to, had they considered the matter not covered by this Agreement.

This deed and the Exhibits 1 and 4 were read aloud in the presence of the deputy notary and signed in their own hands by the persons appearing and the deputy notary.

The Exhibits 2, 3 and 3a have been shown to the persons appearing; they waived reading and signed them page by page:

[ILLEGIBLE]

[ILLEGIBLE]

[ILLEGIBLE]

[SEAL OF DR. GERHARD PILGER NOTAR IN FRANKFURT AM MAIN]

EXHIBIT 1

IT DISENTANGLEMENT

JANUARY 2002

DISENTANGLEMENT COST

- During the integration of BASF-Pharma, Abbott incurred unanticipated costs for the extrication from the BASF supported IT environment.
- Costs incurred based on decisions supporting Abbott's business requirements were not included in the disentanglement costs summarized on pages 16-20.

2

DUE DILIGENCE CONCLUSIONS

- During the due diligence process, BASF provided documents leading to the following seven conclusions:
 1. BASF-Pharma "operates largely as an independent company" consisting of a "fully separated IT System" and operated on a "near stand-alone basis" to BASF.
 2. SAP was the pervasive enterprise application throughout the worldwide BASF-Pharma organization.

3

DUE DILIGENCE CONCLUSIONS

3. Lotus Notes was the pervasive groupware and e-mail system throughout BASF-Pharma.
4. Siebel had been selected as the standard SFA (Sales Force Automation) system and had been deployed throughout BASF-Pharma.
5. LABSQ had been selected as the standard LIMS (Laboratory Information Management System) and was deployed throughout BASF-Pharma.

4

DUE DILIGENCE CONCLUSIONS

6. Documentum had been selected as the standard document management system and was deployed throughout BASF-Pharma.
7. Oracle had been selected as the standard database and was deployed throughout BASF-Pharma.

5

IT ENVIRONMENT EXPECTATIONS

- The aforementioned seven conclusions resulted in the the following expectations:

1. Abbott would acquire substantial worldwide SAP implementations which would require minimal extraction from BASF.
2. BASF-Pharma operated in a global SAP environment.
3. Lotus Notes groupware technology was used pervasively to communicate throughout the enterprise. Groupware and e-mail technologies other than Notes would not be encountered.

6

IT ENVIRONMENT EXPECTATIONS

4. A standard LIMS application (LABSQ) was globally deployed.
5. A standard SFA (Siebel) was globally deployed.
6. A common database platform (Oracle) was globally deployed. License transfers were partially addressed in the purchase agreement amendment document.
7. A common document management application (Documentum) was globally deployed.

7

IT ENVIRONMENT EXPECTATIONS

8. Wide Area Network (WAN) components (routers, modems, etc) were owned and operated by BASF-Pharma. This was addressed in the purchase agreement amendment document.
9. Local Area Network (LAN) components were owned and operated by BASF-Pharma and operated independently of BASF. This was addressed in the purchase agreement amendment document.
10. BASF-Pharma owned and operated their own data centers.

8

IT ENVIRONMENT EXPECTATIONS

11. BASF-Pharma possessed clear ownership of software licenses and would be able to provide proof of ownership for software installed on their computing platforms. License count transfer was addressed in the purchase agreement amendment document.
12. Very limited or no segregation between BASF's and Abbott's respective networks would be required due to the "fully separated nature" of the IT system.
13. BASF-Pharma was performing their own network account administration

9

IT ENVIRONMENT EXPECTATIONS

14. BASF-Pharma owned or was named leaseholder for all computing technology.
15. BASF-Pharma owned or was named leaseholder for telephone equipment.

10

ACTUAL IT ENVIRONMENT

- - Abbott IT professionals encountered an IT environment significantly different than the one proposed in the data room documents.

11

US ENTANGLEMENT BACKGROUND

- - The degree of BASF intercompany reliance was near absolute.

- - Most business processes for the US, BBC (now known as ABC), and Canada were handled out of a central instance of SAP, known as CAT (Continental Americas Template) housed in the BASF data center in Mount Olive, NJ. Business functions supported by this application included supply chain, manufacturing and finance.
- - An additional SAP instance housed in Mount Olive, NJ, known as TSP, processed some of the technical purchasing needs and plant maintenance records.
- - All network infrastructure, including e-mail, telecommunications and most voice communications was managed by BASF corporate and charged back to the operating companies.

12

EUROPE ENTANGLEMENT BACKGROUND

- - Most of the telecommunications infrastructure and some application support was handled by BASF. Additionally, the global Novell Directory Services (NDS) network security was developed and maintained by BASF in Ludwigshafen.
- - NDS is the network authentication model used throughout the world for those people logging into the BASF network and is therefore, highly integrated into the BASF network security model. All sites allowing BASF network access use this security capability.
- - Intercompany IT reliance varied significantly by site and installed technology. Some sites, such as Ludwigshafen, Italy, Spain and the UK, offered greater disentanglement obstacles due to higher level of business application intercompany IT reliance. Others sites, such as those in the eastern European countries and Portugal, have less reliance on BASF application support.
- - Additionally, some affiliate locations house both BASF and Abbott employees. This co-location of employees introduces additional complexity including segregation of the Abbott people from the BASF network (and visa versa) and voice communications.
- - BASF Notes e-mail infrastructure support was site specific with some sites relying on BASF and others operating independently.

13

OTHER EX-US ENTANGLEMENT BACKGROUND

LATIN AMERICA:

- - Much of the telecommunications infrastructure and some applications support was handled by BASF. The degree of entanglement varied significantly by site and installed technology.
- - Columbia's business processes were being supported by the CAT template housed in Mount Olive, NJ. Other sites, such as Brazil, operated somewhat independently and offered less disentanglement complexities.
- - BASF Notes e-mail infrastructure support was site specific with some sites relying on BASF and others operating independently.

PACIFIC ASIA AFRICA:

- - Offered the least amount of disentanglement from BASF. However, due to the lack of BASF corporate IT infrastructure and standard application deployment, little technical detail was available.
- - Site surveys and visits were conducted throughout March and April to determine the amount of entanglement, technology deployment and number of connected locations.
- - Few sites possessed connections to the BASF network and relied on Internet mail for e-mail communications back to BASF. BASF business application support was minimal.

14

ACTUAL IT ENVIRONMENT

- - These IT environmental differences caused Abbott to invest in application and infrastructure disentanglement in order to remove the dependence on BASF. These investments were unexpected, given BASF's provided documentation. These costs are summarized on pages 16-20.

15

ESTIMATED DISENTANGLEMENT

Total ----- US
 application
 disentanglement
 6,222 US
 infrastructure
 6,257 Total US
 12,479 Ex-US
 application
 3,647 Ex-US
 infrastructure
 8,877 Total Ex-
 US 12,524 Grand
 Total 25,003*

* Proposed amount to be reimbursed by BASF.

16

US APPLICATION
 DISENTANGLEMENT COSTS (\$000)

Item Total - --
 -- ----- Order
 processing and
 EDI 341 HR and
 Financial
 systems 872 CAT
 extraction from
 Mount Olive
 4,486 R & D
 server
 relocation 400
 Transfer SPRINT
 data to US 100
 Disentanglement
 travel expenses
 23 Total 6,222

17

US INFRASTRUCTURE
 DISENTANGLEMENT COSTS (\$000)

Item Total - --
 -- ----- Wide
 area network
 172 (routers,
 switches, phone
 systems,
 firewalls)
 Disentangle
 from BASF
 Novell security
 2,991
 (including
 Notes
 disentanglement)
 Oracle and MDL
 licenses 2,429
 (difference
 between Abbott
 and BASF
 licenses)
 Desktop
 migration 665
 (transition
 from BASF owned
 lease) Total
 6,257

18

EX-US APPLICATION
 DISENTANGLEMENT COSTS (\$000)

Item Total - --
 -- -----
 Ludwigshafen
 data center
 3,408 MSS sales
 system 54
 Netherlands
 migration from

MUCCS 44 Spain
H/R
disentanglement
51 Italy AS/400
90 Total 3,647

19

EX-US INFRASTRUCTURE
DISENTANGLEMENT COSTS (\$000)

Item Total - --
-- ----- Wide
area network
2,422 (routers,
switches, phone
systems,
firewalls)
Disentangle
from BASF
Novell security
6,329
(including
Notes
disentanglement)
Oracle licenses
126 (difference
between Abbott
and BASF
licensing
practice) Total
8,877

20

EXHIBIT 2

SIBUTRAMINE EU CLINICAL STUDY
EXTERNAL COSTS ONLY

Activity 2002-
2008 Costs
(\$MM) -----

----- Staffing
\$ 7.86
Operating \$
2.11 Overhead \$
2.99
Contingency \$
1.14 Nat. Co-
ord. \$ 3.01
Meetings/Travel
\$ 14.73
Investigator
Fees \$ 60.00
Other Expenses
\$ 5.00 Subtotal
\$ 96.84
Laboratory
Tests \$ 2.50
CRO Costs \$
22.60 Total
External Costs
\$121.94
Clinical Costs
per BASF Senior
Management
discussions/due
diligence. \$
67.50 (Euro 75
MM). Difference
\$ 54.44

Comments

- The above clinical study reflects 12,800 patients (consistent with BASF estimate of 12,500).
- The CPMP has approved the protocol for this study.
- The above clinical cost estimate reflects external costs only. We are in the process of preparing internal cost estimates for this clinical study.

Exhibit 3

Confidential

ABBOTT LABORATORIES
TOTAL WORLDWIDE PROTIUM -- NPV IMPACT PER THE BASF CONTRACT
(\$MM)

Last 9
Mo 2001
2002
2003
2004
2005
2006 --

---- --
-- ----
----- --
--

TOTAL
ABBOTT
NET
SALES
24,0
35,0
37,0
39,0
41,0
43,0

EARNINGS
BEFORE
INTEREST
& TAXES
7,9
11,6
14,1
14,8
17,6
18,5

WORKING
CAPITAL
CASH
FLOW
(5,8)
(2,7)
(0,6)
(0,5)
(0,5)
(0,5) -

- ----
----- --
-- ----
----- --
TOTAL
CASH
FLOW
2,1 8,9
13,5
14,4
17,0
18,0

2001-2006 NPV @ 12.5% 51,4

EXHIBIT 3a

2002 2003
2004 2005
2006 ---- -
----- --
-- ----
Total
Abbott Net
Sales of
Pantoprazole
(Protium)
40.3 43.7
46.9 49.3
8.8
Promotional
Fee paid to
Abbott (28%
of Net
Sales)*
11.3 12.2
10.7 0.0
0.0 NPV @
12.5% (Fees
paid to
Abbott by
BASF) 30.6

* 28% of Net Sales until \$30.6 MM is paid (NPV basis).

Net Sales will be calculated using the exchange rate used by Purchaser for its financial accounting and reporting purposes.

BELGIUM: In regard of the pension entitlements as of March 02, 2001 of members who elected to transfer their past service pension benefits from Seller to Purchaser, Seller shall procure that the amount of 913,049.19 EUR (assumed payment date: March 10, 2002) is paid to an account to be specified by Purchaser.

BRAZIL (PENSION PLAN): In regard of the Pension Liabilities as of March 02, 2001 Seller shall procure that (i) for the non contributing members with a DB-minimum benefit the amount of 567,639 BRL per annum for the period between March 02, 2001 and the actual date of payment plus 6% interest per annum for the period between March 02, 2001 and the actual date of payment and (ii) for the DC-members and former Knoll employees with a vested DC-benefit entitlement the amount of 4,642,390 BRL increased with the net return of invested assets under the Knoll section for the period between March 02, 2001 and the actual date of payment are paid to an account to be specified by Purchaser. An excess of pension assets over the Pension Liabilities will be credited to all the Knoll section members and non-members based on the individual DC accounts for the contributing and vested DC-members, the present value of the current pension benefit paid for the pensioners and the PBO-value of the minimum DB-benefit of non-contributing plan members. The respective actions are described in a document called "Termo de Retirada da Patrocinadora Knoll Produtos Quimicos e Farmaceuticos Ltda. do Plano de Aposentadoria da BASF Sociedade de Previdencia Privada" signed by BASF S.A. and Abbott Laboratorios do Brasil Ltda. dated January 14, 2002.

BRAZIL (GENERAL MANAGER): BASF hereby transfers the former International Group Insurance Contract (insured with Victoria; policy number GV 2693594/30) financing the Pension Liabilities for the General Manager to Purchaser with effect of March 02, 2001.

CANADA: In regard of the Pension Liabilities as of March 02, 2001 Seller shall procure that the amount of 5,071,131 CAD plus 6% interest per annum for the period between March 02, 2001 and the actual date of payment is paid to an account to be specified by Purchaser.

IRELAND: With regard to the Pension Liabilities as of March 02, 2001 of members who elect to transfer their past service pension benefits from Seller to Purchaser, Seller shall procure that the amounts per employee specified in the report of the Seller's actuary Towers Perrin dated June 29, 2001 adjusted as per the email from Seller's actuary dated September 04, 2001 as confirmed by Purchaser's actuary Hewitt plus 6% interest per annum for the period between March 02, 2001 and the actual date of payment is paid to an account to be specified by Purchaser plus contributions made during the participation period including adequate interest, less an agreed administration charge and less a deduction of risk premiums for insured death-in service benefits paid by the Seller for the Knoll employees during the participation period in Seller's Group Pension Arrangement.

1

NETHERLANDS: As the Knoll/Abbott company in the Netherlands wishes to stay in the BASF Group Insurance Separate Account Arrangement (insured with Zwitter Leven; policy number GN 3513) until December 31, 2002 (i) Purchaser agrees to pay the necessary contributions and administration charges, the latter being determined proportionately to Knoll's policy reserve as compared with the total policy reserve under the BASF Group Insurance Separate Account Arrangement, for the participation period after March 02, 2001, and Seller shall procure that (ii) dividends achieved under the separate accounting will be appropriately paid back to the Knoll/Abbott company in the Netherlands during the participation period and (iii) an amount equal to the policy reserve (any possible free reserves or provisions excluded) as of December 31, 2002 for all Knoll-members transferring their past service pension benefits to a pension arrangement of Purchaser in fulfilment of their Pension Liabilities as of December 31, 2002 is paid to an account of an insurance company or pension fund according to the Pensioen-en Spaarfondsenwet (Pension and Savings Act) further to be specified by Purchaser. If it is not possible to negotiate a reasonable policy separation prior to December 31, 2003, BASF agrees to maintain Abbott/Knoll in the BASF Group Insurance Separate Account Arrangement (until expiry) based upon the above said parameters.

UK: With regard to the Pension Liabilities as of March 02, 2001 of members who elected to transfer their past service pension benefits from Seller to Purchaser, Seller shall procure that the amounts per employee specified in the actuarial report of Seller's actuary Towers Perrin as confirmed by Purchaser's actuary Hewitt plus 6% interest per annum for the period between March 02, 2001 and the actual date of payment is paid to an account to be specified by Purchaser plus contributions made during the participation period including adequate interest, less an agreed administration charge and less a deduction of risk premiums for insured death-in service benefits paid by the Seller for the Knoll employees during the participation period in Seller's Group Pension Arrangement.

2

POWER OF ATTORNEY

I, the undersigned

Michael G. Strohmeier
with business address at
Jones, Day, Reavis & Pogue
Chicago, Illinois, USA

hereby grant a substitute power of attorney on behalf of

Abbott Laboratories
Abbott Park, Illinois, USA
-hereinafter referred to as the "Company"-

to

Ansgar C. Rempp
Jens U. Boeck
and Ercan Acikel
each with business address at
Jones, Day, Reavis & Pogue
Frankfurt, Germany

according to the power of attorney dated February 23, 2001 granted to me by
the Company (the "Original Power of Attorney"), a copy of which is attached
hereto, to individually represent the Company within the scope and
limitations provided for by the Original Power of Attorney.

Illinois, July 19, 2001

/s/ MICHAEL G. STROHMEIER

Michael G. Strohmeier

SUBSCRIBED AND SWORN TO
before me this 19th day of July, 2001

/s/ Sonia Archer

Notary Public

"OFFICIAL SEAL"
SONIA ARCHER
Notary Public, State of Illinois
My Commission Expires 08/26/03

POWER OF ATTORNEY

We, the undersigned company

Abbott Laboratories
Abbott Park, Illinois, USA
hereinafter referred to as the "Company"

hereby grant powers of attorney to

James L. Tyree
with business address at
Abbott Laboratories
Abbott Park, Illinois, USA

Brian J. Smith
with business address at
Abbott Laboratories
Abbott Park, Illinois, USA

Charles N. Bensinger III
with business address at
Jones, Day, Reavis & Pogue
Chicago, Illinois, USA

and

Michael G. Strohmeier
with business address at
Jones, Day, Reavis & Pogue
Chicago, Illinois, USA

to individually represent the Company in connection with the transactions
contemplated by the purchase agreement dated as of December 14, 2000 (the
"Purchase Agreement") between BASF Aktiengesellschaft, a stock corporation
organized under the laws of the Federal Republic of Germany ("BASF") and the
Company, including, but not limited to, (i) any amendments to the Purchase
Agreement; (ii) the sale of all of the issued and outstanding shares of
capital stock of (a) Knoll AG, a stock corporation organized under the laws
of the Federal Republic of Germany, and (b) BASF Pharmaceutical Corporation,
a Delaware corporation; (iii) the sale to the Company and/or any of its
subsidiaries of all of shares capital stock or other equity interests
directly or indirectly owned by BASF; (iv) the sale and transfer of certain
patents, trademarks, tradenames and other intellectual property, and to enter
into any kinds of agreements and commitments, including the right to grant
substitute and additional powers of attorney, as any of them deem necessary
and appropriate in connection therewith.

Our representatives shall be authorized to make all statements they deem necessary or appropriate in this context. Furthermore, our representatives shall be released from the restrictions set forth in Section 181 of the German Civil Code.

ABBOTT LABORATORIES

Illinois, 23 day of February, 2001.

by :

/s/ Gary P. Coughlan

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

STATE OF ILLINOIS)
) ss.
COUNTY OF LAKE)

The undersigned, a Notary Public in and for the County and State aforesaid, does hereby certify that Gary P. Coughlan, personally known to me to be a duly appointed officer of Abbott Laboratories, an Illinois corporation, appeared before me this day in person and acknowledged under oath that in such capacity he or she signed and delivered this certificate pursuant to authority duly given to him by said corporation.

GIVEN under my hand and seal this 23 day of February, 2001.

/s/ Judith Pacheco

Notary Public

OFFICIAL SEAL
Judith Pacheco
Notary Public, State of Illinois
My Commission Expires 10/4/03

My Commission expires: 10/4/03

Die wortliche Ubereinstimmung vorstehender Ablichtung mit der mir vorliegenden Urschrift beglaubige ich hiermit.

Frankfurt am Main, den 11. Marz 2002

[SEAL]

/s/ Dr. Mattke
Dr. Mattke
als amtlich bestellter Vertreter
des Notars Dr. Gerhard Pilger

BASF Aktiengesellschaft

BEGLAUBIGTE ABSCHRIFT
BASF

VOLLMACHT

Hiermit erteilen wir

Frau Tanja Brandner
geschäftsansässig
Pilger & Mattke
Wiesenu 43
60323 Frankfurt am Main

Vollmacht, BASF Aktiengesellschaft bei der notariellen Beurkundung des beigefugten "Agreement" zwischen BASF Aktiengesellschaft und Abbott

Laboratories am 11.03.2002 zu vertreten.

Ludwigshafen, 11.03.2002

BASF Aktiengesellschaft

/s/ DR. THOMAS BECKER

Dr. Thomas Becker
(Prokurist)

/s/ WOLFGANG WONDE

Wolfgang Wonde
(Prokurist)

Telefon +49 821 50-0 (Vermittlung)
Telefax +49 821 60-42525 (Zentrale)
Telex 45499-0 bas d (Vermittlung)
E-Mail: Info.service@basf-ag.de
Internet: www.basf.de

Sitz der Gessellschaft:
67056 Ludwigshafen, Deutschland
Registergericht: Amtsgericht Ludwigshafen
Eintragungsnummer: HRB 3000
Bankverbindung:
Wintershall Bank GmbH 34119 Kassel,
Girokonto 400 505 (BLZ 520 200 00)

Aufsichtsratsvorsitzender; Berthold Leibinger
Vorstand: Jurgen Strube, Vorsitzender;
Max Dietrich Kje, stellv. Vorsitzender;
Helmut Becks; John Feldmann;
Jurgen Hambrecht; Klaus Peter Lubbe;
Stefan Marcinowski; Peter Oakley;
Eggert Voscherau

BY-LAWS
OF
ABBOTT LABORATORIES

Adopted by the Board of Directors
of Abbott Laboratories at the
Annual Meeting, April 11, 1963
as amended and restated, effective March 15, 2002

BY-LAWS OF ABBOTT LABORATORIES

ARTICLE I

OFFICES

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

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

ARTICLE II

SHAREHOLDERS

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

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

BY-LAWS

Page 2

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

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

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

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such annual meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors, or by any shareholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 1. Such nominations, other than those made by or at the direction of the Board of Directors or by a committee or person appointed by

the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal office of the Corporation not earlier than October 1 nor later than the first business day of January immediately prior to the date of the meeting; PROVIDED, HOWEVER, that in the event that the date of such meeting is not in the month of April and less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

BY-LAWS

Page 3

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

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

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

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

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

SECTION 6. VOTING LISTS. The Secretary shall make, or cause to have made, within twenty days after the record date for a meeting of shareholders or ten days before such meeting, whichever is earlier, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder and to copying at the shareholder's expense, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or

BY-LAWS

Page 4

a duplicate thereof kept in this State, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

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

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

- (a) A shareholder may sign a proxy appointment form. The shareholder's signature may be affixed by any reasonable means, including, but not limited to, by facsimile signature.
- (b) A shareholder may transmit or authorize the transmission of a telegram, cablegram, or other means of electronic transmission; provided that any such transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, or other electronic transmission was authorized by the shareholder. If it is determined that the telegram, cablegram, or other electronic transmission is valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

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

SECTION 9. VOTING OF SHARES. Each outstanding share, regardless of class, shall be entitled to one vote in each matter submitted to a vote at a meeting of shareholders and, in all elections for Directors, every shareholder shall have the right to vote the number of shares owned

BY-LAWS

Page 5

by such shareholder for as many persons as there are Directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of Directors multiplied by the number of such shares or to distribute such cumulative votes in any proportion among any number of candidates; provided that, vacancies on the Board of Directors may be filled as provided in Section 9, Article III of these By-Laws. A shareholder may vote either in person or by proxy.

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

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

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

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

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

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

SECTION 12. INSPECTORS OF ELECTION. The Board of Directors in advance of any meeting of shareholders may appoint inspectors to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the officer or person acting as chairman at any such meeting may, and on the request of any

shareholder or his proxy, shall make such appointment. In case any person appointed as inspector shall fail to appear or to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the officer or person acting as chairman.

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

BY-LAWS

Page 6

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

ARTICLE III

DIRECTORS

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

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

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

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

SECTION 5. NOTICE. Notice of any special meeting shall be given: (i) at least one day prior thereto if the notice is given personally or by an electronic transmission, (ii) at least two business days prior thereto if the notice is given by having it delivered by a third party entity that provides delivery services in the ordinary course of business and guarantees delivery of the notice to the Director no later than the following business day, and (iii) at least seven days prior thereto if the notice is given by mail. For this purpose, the term "electronic transmission" may include, but shall not be limited to, a telex, facsimile, or other electronic means. Notice shall be delivered to the Director's business address and/or telephone number and shall be deemed given upon electronic transmission, upon delivery to the third party delivery service, or upon being deposited

BY-LAWS

Page 7

in the United States mail with postage thereon prepaid. Any Director may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need to be specified in the notice or waiver of notice of such meeting.

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

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

SECTION 8. INFORMAL ACTION BY DIRECTORS. Any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a

meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be.

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

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

SECTION 9. VACANCIES. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, may be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A Director elected to fill a vacancy shall serve until the next annual meeting of shareholders. A majority of Directors then in office may also fill one or more vacancies arising between meetings of shareholders by reason of an increase in the number of Directors or otherwise, and any Director so selected shall serve until the next annual meeting of shareholders, provided that at no time may the number of Directors selected to fill vacancies in this manner during any interim period between meetings of shareholders exceed 33-1/3 per cent of the total membership of the Board of Directors.

BY-LAWS

Page 8

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

SECTION 11. APPOINTMENT OF AUDITORS. Upon the recommendation of the Audit Committee, the Board of Directors shall appoint annually a firm of independent public accountants as auditors of the Corporation. Should the Board of Directors for any reason determine that such appointment be terminated, the Board of Directors shall appoint another firm of independent public accountants to act as auditors of the Corporation.

ARTICLE IV

COMMITTEES

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

SECTION 2. COMMITTEE MEETINGS. A majority of any committee shall constitute a quorum and a majority of the committee is necessary for committee action. A committee may act by unanimous consent in writing without a meeting. Committee meetings may be called by the Chairman of the Board, the chairman of the committee, or any two of the committee's members. The time and place of committee meetings shall be designated in the notice of such meeting. Notice of each committee meeting shall be given to each committee member. Each Committee shall keep minutes of its proceedings and such minutes shall be distributed to the Board of Directors.

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

BY-LAWS

Page 9

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

- (1) authorize distributions;
- (2) approve or recommend to shareholders any act the Business Corporation Act of 1983 requires to be approved by shareholders;
- (3) fill vacancies on the Board or on any of its committees;
- (4) elect or remove Officers or fix the compensation of any member of the Committee;
- (5) adopt, amend or repeal the By-Laws;

- (6) approve a plan of merger not requiring shareholder approval;
- (7) authorize or approve reacquisition of shares, except according to a general formula or method prescribed by the Board;
- (8) authorize or approve the issuance or sale, or contract for sale, of shares or determine the designation and relative rights, preferences, and limitations of a series of shares, except that the Board may direct the Committee to fix the specific terms of the issuance or sale or contract for sale or the number of shares to be allocated to particular employees under an employee benefit plan; or
- (9) amend, alter, repeal, or take action inconsistent with any resolution or action of the Board of Directors when the resolution or action of the Board of Directors provides by its terms that it shall not be amended, altered or repealed by action of the Committee.

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

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

- (1) recommend to the Board of Directors annually a firm of independent public accountants to act as auditors of the Corporation;
- (2) review with the auditors in advance the scope of and fees for their annual audit;

BY-LAWS

Page 10

- (3) review with the auditors and the management, from time to time, the Corporation's accounting principles, policies, and practices and its reporting policies and practices;
- (4) review with the auditors annually the results of their audit; and
- (5) review from time to time with the auditors and the Corporation's financial personnel the adequacy of the Corporation's accounting, financial and operating controls.

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

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

- (1) administer the stock option plans of the Corporation;
- (2) review, at least annually, the compensation of Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries and recommend for approval by the Board any change in the compensation of such Directors;
- (3) review, at least annually, the compensation of all Officers of the Corporation. The committee shall have the authority to approve changes in the base compensation, and any proposed special separation arrangements of Officers, except the Chairman of the Board of Directors, the Chief Executive Officer, and the President, whose base compensation, and any special separation arrangements, shall be subject to approval by the Board of Directors.

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

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

- (1) develop general criteria for selection of and qualifications desirable in members of the Board of Directors and Officers of the Corporation and aid

BY-LAWS

Page 11

the Board in identifying and attracting qualified candidates to stand for election to such positions;

- (2) recommend to the Board annually a slate of nominees to be proposed by the Board to the shareholders as nominees for

election as Directors, and, from time to time, recommend persons to fill any vacancy on the Board;

- (3) review annually, or more often if appropriate, the performance of individual members of the management of the Corporation and the membership and performance of committees of the Board and make recommendations deemed necessary or appropriate to the Board;
- (4) recommend to the Board persons to be elected as Officers of the Corporation; and
- (5) serve in an advisory capacity to the Board of Directors and Chairman of the Board on matters of organization, management succession plans, major changes in the organizational structure of the Corporation, and the conduct of Board activities, including assisting in the evaluation of the Board's own performance.

SECTION 11. PUBLIC POLICY COMMITTEE. The Board of Directors shall appoint a Public Policy Committee. A majority of the members of the Committee shall be selected from those Directors who are not then serving as full time employees of the Corporation or any of its subsidiaries.

SECTION 12. DUTIES OF THE PUBLIC POLICY COMMITTEE. The Public Policy Committee shall have an advisory role with respect to public policy, regulatory and government affairs issues that affect the Corporation.

ARTICLE V

OFFICERS

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

SECTION 2. ELECTION AND TERM OF OFFICE. The Board of Directors may elect any Officer. The Chairman of the Board may appoint any Vice President, a Controller, a Treasurer, a Secretary and any Assistant Treasurers and Assistant Secretaries.

BY-LAWS

Page 12

The Officers of the Corporation shall be elected or appointed annually. Each year, the Board of Directors shall elect Officers at the first meeting of the Board of Directors held after the annual meeting of shareholders. If the Board of Directors does not elect Officers at such meeting, such election shall be held as soon thereafter as conveniently may be. Each year, immediately following the election of Officers by the Board of Directors or as soon thereafter as conveniently may be, the Chairman of the Board shall appoint such additional Officers within the scope of the Chairman's authority as the Chairman deems necessary or appropriate.

Vacancies or new offices may be filled at any time as set forth in Section 4 of this Article V.

Each Officer shall hold office until his or her successor shall have been duly elected or appointed and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

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

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

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

SECTION 6. PRESIDENT. Each President shall be the Chief Operating Officer of a major area of the Corporation's activities and shall perform such duties as may be prescribed by the Board of Directors or the Chief Executive Officer.

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

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

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

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

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

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

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

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

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

ARTICLE VI

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by any one of the Chairman of the Board, the Chief Executive Officer, the President or an Executive Vice President, and shall be countersigned by the Secretary or an Assistant Secretary and shall be sealed with the seal, or a facsimile of the seal, of the Corporation. If a certificate is countersigned by a Transfer Agent or Registrar, other than the Corporation itself or its employee, any other signatures or countersignature on the certificate may be facsimiles. In case any Officer of the Corporation, or any officer or employee of the Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon such certificate ceases to be an Officer of the Corporation, or an officer or employee of the Transfer Agent or Registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if the Officer of the Corporation, or the officer or employee of the Transfer Agent or Registrar had not ceased to be such at the date of its issue. Each certificate representing shares shall state: that the Corporation is organized under the laws of the State of Illinois; the name of the person to whom issued; the number and class of shares; and the designation of the series, if any, which such certificate represents. Each certificate shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued in replacement until the former certificate for a like number of shares shall have been surrendered and canceled, except in the case of lost, destroyed or mutilated certificates.

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

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

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

- (a) That the claimant furnishes an affidavit stating the facts of such loss, destruction or mutilation so far as known to him or her and further stating that the affidavit is

BY-LAWS

Page 15

made to induce the Corporation to issue a duplicate certificate or certificates; and that issuance of the duplicate certificate or certificates is approved:

- (i) in a case involving a certificate or certificates for more than 1,000 shares, by the Chairman of the Board, the Chief Executive Officer, the President, an Executive Vice President, or the Secretary; or
- (ii) in a case involving a certificate or certificates for 1,000 shares or less, by the Transfer Agent appointed by the Board of Directors for the transfer of the shares represented by such certificate or certificates;

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

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

ARTICLE VII

FISCAL YEAR

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

ARTICLE VIII

VOTING SHARES OR INTERESTS IN OTHER CORPORATIONS

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

BY-LAWS

Page 16

ARTICLE IX

DISTRIBUTIONS TO SHAREHOLDERS

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

ARTICLE X

SEAL

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

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of these By-Laws or under the provisions of the Articles of Incorporation or under the provisions of The Business Corporation Act of 1983, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute waiver of notice thereof unless the person at the meeting objects to the holding of the

meeting because proper notice was not given.

ARTICLE XII

AMENDMENTS

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

Abbott Laboratories

Computation of Ratio of Earnings to Fixed Charges

(Unaudited)

(DOLLARS IN MILLIONS EXCEPT RATIOS)

Three Months
 Ended March
 31, 2002 ----

 -- Net
 Earnings \$854
 Add (deduct):
 Taxes on
 earnings 277
 Minority
 interest 5 --
 ----- Net
 Earnings as
 adjusted
 \$1,136 -----
 - Fixed
 Charges:
 Interest on
 long-term and
 short-term
 debt 63
 Capitalized
 interest cost
 3 Rental
 expense
 representative
 of an
 interest
 factor 13 ---
 ---- Total
 Fixed Charges
 79 -----
 Total
 adjusted
 earnings
 available for
 payment of
 fixed charges
 \$1,215
 ===== Ratio
 of earnings
 to fixed
 charges 15.4
 =====

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.