

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(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, 1997

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 60064-3500

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 April 30, 1997, the Corporation had 773,510,473 common shares without par value outstanding.

PART 1 FINANCIAL INFORMATION
ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(UNAUDITED)

(Dollars in thousands except per share data)

	THREE MONTHS ENDED MARCH 31	
	1997	1996
Net Sales	\$2,999,814	\$2,672,177
Cost of products sold	1,327,331	1,156,217
Research and development	280,074	268,616
Selling, general and administrative	656,596	572,346
Total Operating Cost and Expenses	2,264,001	1,997,179
Operating Earnings	735,813	674,998
Interest expense	32,754	17,607
Interest income	(11,723)	(10,490)
Other (income) expense, net	(43,836)	(13,124)
Earnings Before Taxes	758,618	681,005
Taxes on Earnings	223,792	200,896
Net Earnings	\$ 534,826	\$ 480,109
Net Earnings Per Common Share	\$.69	\$.61
Cash Dividends Declared Per Common Share	\$.27	\$.24

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

	MARCH 31 1997	DECEMBER 31 1996
	----- (unaudited)	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 134,093	\$ 110,209
Investment securities	18,138	12,875
Trade Receivables, less allowances of \$160,700 in 1997 and \$153,424 in 1996	1,731,197	1,708,807
Inventories:		
Finished products	574,409	627,449
Work in process	276,849	269,443
Materials	348,457	341,313
Total Inventories	1,199,715	1,238,205
Prepaid expenses, income taxes, and other receivables	1,544,295	1,410,806
Total Current Assets	4,627,438	4,480,902
Investment Securities Maturing after One Year	644,894	665,553
Property and Equipment, at Cost	8,355,593	8,370,283
Less: accumulated depreciation and amortization	3,932,048	3,908,740
Net Property and Equipment	4,423,545	4,461,543
Deferred Charges, Intangible and Other Assets	1,504,517	1,517,602
	\$11,200,394	\$11,125,600
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 1,201,912	\$ 1,383,727
Trade accounts payable	966,853	923,018
Salaries, income taxes, dividends payable, and other accruals	2,208,845	2,036,972
Total Current Liabilities	4,377,610	4,343,717
Long-Term Debt	931,227	932,898
Other Liabilities and Deferrals	1,035,389	1,028,803
Shareholders' Investment:		
Preferred shares, \$1 par value		
Authorized - 1,000,000 shares, none issued		
Common shares, without par value		
Authorized - 1,200,000,000 shares		
Issued at stated capital amount -		
Shares: 1997: 782,270,664; 1996: 784,037,858	741,200	694,380
Earnings employed in the business	4,372,548	4,262,804
Cumulative translation adjustments	(178,349)	(78,770)
	4,935,399	4,878,414
Less:		
Common shares held in treasury, at cost -		
Shares: 1997: 9,154,632; 1996: 9,588,632	48,314	50,605
Unearned compensation - restricted stock awards	30,917	7,627
Total Shareholders' Investment	4,856,168	4,820,182
	\$11,200,394	\$11,125,600

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

ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31	
	1997	1996
Cash Flow From (Used in) Operating Activities:		
Net earnings	\$ 534,826	\$ 480,109
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization.	176,076	163,308
Trade receivables.	(93,688)	(4,861)
Inventories.	4,445	(48,893)
Other, net	162,967	94,503
	784,626	684,166
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property, equipment, and businesses.	(220,069)	(229,823)
Investment securities transactions	15,394	14,818
Other.	5,857	5,670
	(198,818)	(209,335)
Cash Flow From (Used in) Financing Activities:		
Borrowing transactions	(175,842)	(374,476)
Common share transactions.	(189,608)	(126,639)
Dividends paid	(185,905)	(165,395)
	(551,355)	(666,510)
Effect of exchange rate changes on cash and cash equivalents	(10,569)	(1,596)
Net Increase (Decrease) in Cash and Cash Equivalents	23,884	(193,275)
Cash and Cash Equivalents, Beginning of Year	110,209	281,197
Cash and Cash Equivalents, End of Period	\$ 134,093	\$ 87,922

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

ABBOTT LABORATORIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1997

(UNAUDITED)

NOTE 1 - BASIS OF PREPARATION:

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the financial position, cash flows, and results of operations have been made. It is suggested that these statements be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

NOTE 2 - EARNINGS PER COMMON SHARE:

Earnings per common share amounts are computed by using the weighted average number of common shares outstanding. These shares averaged 773,983,000 for the three months ended March 31, 1997 and 785,836,000 for the same period in 1996. The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings per Share" in February 1997. The Company will adopt the Standard beginning with the year ended 1997. The adoption of this standard will not have a material effect on the Company's reported earnings per share.

NOTE 3 - TAXES ON EARNINGS:

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

NOTE 4 - LITIGATION AND ENVIRONMENTAL MATTERS:

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

In addition, the Company has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under Federal remediation laws and is voluntarily investigating potential contamination at a number of Company-owned locations.

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

The Company expects that within the next year, progress in the legal proceedings described above may cause a change in the estimated reserves recorded by the Company. While it is not feasible to predict the outcome of such pending claims, proceedings, investigations and remediation activities with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on the Company's financial position, cash flows, or results of operations.

NOTE 5 - SUBSEQUENT EVENT:

On April 29, 1997, the Company signed a definitive agreement to acquire, for approximately \$200 million, certain parenteral products businesses of Sanofi Pharmaceuticals, Inc. Had this acquisition taken place on January 1, 1996, consolidated sales and net income would not have been significantly different from reported amounts.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - FIRST QUARTER 1997 COMPARED WITH FIRST QUARTER 1996

Worldwide sales for the first quarter increased 12.3 percent to \$3.000 billion from \$2.672 billion in 1996. Net earnings and earnings per share increased 11.4 percent and 13.1 percent, respectively, over the prior year quarter.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) of 55.8 percent for the first quarter was down from 56.7 percent one year ago. This decrease was primarily due to higher royalties and project expense for new products and the effects of inflation; partially offset by favorable product mix, especially sales of pharmaceuticals, and productivity improvements.

Research and development expenses increased to \$280.1 million in the first quarter 1997. This represented 9.3 percent of net sales, compared to 10.1 percent in 1996. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general, and administrative expenses for the first quarter increased 14.7 percent from the prior year as the result of additional selling and marketing to support new product launches in the pharmaceutical and nutritional segment, and due to the acquisition of MediSense in the second quarter of 1996.

Other (income) expense, net, includes net foreign exchange gains of \$10.9 million in the 1997 first quarter, compared with net foreign exchange losses of \$9.3 million in the same quarter last year.

FINANCIAL REVIEW
(Continued)

INDUSTRY SEGMENTS

Industry segment sales for the first quarter 1997 and the related change from the comparable 1996 period are shown in the table below. The Pharmaceutical and Nutritional Products segment includes a broad line of adult and pediatric pharmaceuticals and nutritionals, which are sold primarily on the prescription or recommendation of physicians or other health care professionals; consumer products; agricultural and chemical products; and bulk pharmaceuticals. The Hospital and Laboratory Products segment includes diagnostic systems for consumers, blood banks, hospitals, commercial laboratories and alternate-care testing sites; intravenous and irrigation fluids and related administration equipment; drugs and drug delivery systems; anesthetics; critical care products; and other medical specialty products for hospitals and alternate-care sites.

Domestic and international sales for the first quarter primarily reflect unit growth. International sales were unfavorably affected 5.5 percent by the relatively stronger U. S. dollar in the first quarter.

SEGMENT SALES (in millions of dollars)	First Quarter	
	1997 Sales	Percent Increase

Pharmaceutical and Nutritional Products:		
Domestic	\$1,199.4	15.3

International	626.9	12.1

	1,826.3	14.2

Hospital and Laboratory Products:		
Domestic	651.8	13.3

International	521.7	4.9

	1,173.5	9.4

Total All Segments:		
Domestic	1,851.2	14.6

International	1,148.6	8.7

	\$2,999.8	12.3

FINANCIAL REVIEW
(Continued)

LIQUIDITY AND CAPITAL RESOURCES AT MARCH 31, 1997
COMPARED WITH DECEMBER 31, 1996

Net cash from operating activities for the first quarter 1997 totaled \$785 million. The Company expects annual cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

The Company has maintained its favorable bond ratings (AAA by Standard & Poor's Corporation and Aa1 by Moody's Investors Service) and continues to have readily available financial resources, including unused domestic lines of credit of \$1.5 billion at March 31, 1997. These lines of credit support domestic commercial paper borrowing arrangements.

During the first quarter 1997, the Company continued its program to purchase its common shares. The Company purchased and retired 3,995,000 shares during this period at a cost of \$228 million. As of March 31, 1997, an additional 11,670,000 shares may be purchased in future periods under authorization granted by the Board of Directors in October 1996.

LEGISLATIVE ISSUES

The Company's primary markets are highly competitive and subject to substantial government regulation. The Company expects debate to continue at both the federal and the state levels over the availability, method of delivery, and payment for health care products and services. The Company believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases for medical products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which the Company or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, in the Annual Report on Form 10-K, which is available upon request.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's 10-K for the fiscal year ended December 31, 1996, described 6 antitrust suits and 5 investigations that had been brought in connection with the Company's marketing and sale of infant formula products. In its 10-Q for the quarter ended March 31, 1996, the Company reported that it had entered into a settlement agreement with plaintiffs involving 4 of these cases and that the settlement was subject to approval by the individual state courts. On April 29, 1997, the Michigan Court gave final approval to the settlement. Courts have not yet given their final approval for the cases pending in Alabama and Nevada. The Louisiana court denied final approval. The case in Louisiana will proceed. One infant formula antitrust case is also pending in U.S. District Court in Massachusetts. It purports to be a statewide consumer class action. An agreement has been reached to resolve this case for \$1.5 million. This agreement is subject to court approval. On June 19, 1995, a jury in U.S. District Court in Los Angeles, California found in favor of the Company and the American Academy of Pediatrics in the infant formula antitrust case brought by Nestle Food Company. The Ninth Circuit Court of Appeals affirmed the jury's verdict on January 9, 1997, and the verdict was entered by the U.S. District Court on March 21, 1997. On April 10, 1997, a case was filed in state court in St. Louis, Missouri. It also purports to be a statewide consumer class action. The case seeks treble damages, civil penalties, injunctive and other relief. As of April 29, 1997, 5 antitrust suits and 5 investigations are pending in connection with the Company's sale and marketing of infant formula products.

The Company's 10-K for the fiscal year ended December 31, 1996, described 142 antitrust suits and two investigations (as of January 31, 1997) in connection with the Company's pricing of prescription pharmaceuticals. Plaintiffs have filed two additional cases. One of the cases was filed on January 8, 1997, in federal court. The Company was notified of its filing in March of 1997. The other was filed on February 24, 1997, in state court in Davidson County, Tennessee. In addition, the cases pending in Dade County, Florida and Johnson County, Kansas were removed to the U.S. District Court for the Northern District of Illinois. As of March 31, 1997, 121 prescription pharmaceutical pricing antitrust cases were pending in federal court, 22 were pending in state courts, and 1 was pending in a District of Columbia court. The prescription pharmaceutical pricing antitrust suits allege that various pharmaceutical manufacturers have conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies by providing discounts to mail-order pharmacies, institutional pharmacies and HMOs in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals and retail pharmacies and name both the Company and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, injunctive and other relief. The Company has filed or intends to file a response to each of the complaints denying all substantive allegations. The federal cases are pending in the United States District Court for the Northern District of Illinois under the Multidistrict Litigation Rules as IN RE: BRAND NAME PRESCRIPTION DRUG ANTITRUST LITIGATION, MDL 997. One of the cases pending in the MDL 997 litigation has been certified as a class action on behalf of certain retail pharmacies. The cases pending in California and the District of Columbia have also been certified as class actions. A number of appeals to the Seventh Circuit Court of Appeals have been filed arising out of the MDL 997 litigation. All litigation in the U.S. District Court for the Northern District of Illinois is stayed pending the resolution of the appeals.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on April 25, 1997. 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
K. Frank Austen, M.D.	667,021,293	3,242,420
Duane L. Burnham	666,168,478	4,095,235
H. Laurance Fuller	667,354,566	2,909,147
Thomas R. Hodgson	667,286,907	2,976,806
David A. Jones	665,603,563	4,660,150
The Lord Owen CH	667,082,744	3,180,969
Boone Powell, Jr.	664,477,110	5,786,603
Addison Barry Rand	667,219,169	3,044,544
W. Ann Reynolds, Ph.D.	665,797,212	4,466,501
William D. Smithburg	666,769,205	3,494,508
John R. Walter	666,366,531	3,897,182
William L. Weiss	666,578,000	3,685,713

(b) The Shareholders ratified the Appointment of Arthur Andersen LLP as auditors of the Company.

FOR 666,880,250 AGAINST 1,665,296 ABSTAIN 1,718,167

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3. By-Laws of Abbott Laboratories as amended and effective April 25, 1997.
- 11. Statement re: computation of per share earnings - attached hereto.
- 12. Statement re: computation of ratio of earnings to fixed charges - attached hereto.
- 27. Financial Data Schedule - attached hereto.

(b) Reports on Form 8-K

None

SIGNATURE

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

ABBOTT LABORATORIES

Date: May 12, 1997

/s/ Theodore A. Olson

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

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 April 25, 1997

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 February 15 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 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 February 15 immediately prior to that 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.

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 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 case 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 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 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 signing an appropriate form and delivering it to the person so appointed; provided, however, no shareholder may name more than three persons as proxies to attend and to vote the shareholder's shares at any meeting of shareholders. 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 executing it 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 proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they were mailed.

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 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.

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 twelve. 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 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 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 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.

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. Such appointment shall be submitted to the shareholders for ratification at the Annual Meeting next following such appointment. Should the holders of a majority of the shares represented at the meeting fail to ratify the appointment of any firm as auditors of the Corporation, or 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 and such appointment shall be submitted to the shareholders for ratification at the Annual or Special Shareholders Meeting next following such appointment.

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.

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;
- (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 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 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.

ARTICLE V

OFFICERS

SECTION 1. NUMBER. The Officers of the Corporation shall be the Chairman of the Board, the President, 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. Any two or more offices may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The Officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies or new offices may be filled at any meeting of the Board of Directors. Each Officer shall hold office until his or her successor shall have been duly elected 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.

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.

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

SECTION 6. PRESIDENT. The President shall be the Chief Operating Officer. The President shall perform such duties as may be prescribed by the Board of Directors or by the Chairman.

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 Chairman of the Board or the 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, the President, the Chairman of the Board or by the Board of Directors.

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 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 thereof.

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 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 the 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 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. TRANSFERS 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 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 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 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.

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 [LOGO] 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 AND SUBSIDIARIES

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

	THREE MONTHS ENDED MARCH 31	
	1997	1996
1. Net earnings	\$ 534.8	\$ 480.1
2. Average number of shares outstanding	774.0	785.8
3. Earnings per share based upon average outstanding shares (1 divided by 2)	\$.69	\$.61
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	27.8	27.8
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	\$ 926.6	\$ 786.6
c. Market price of the Company's common stock at quarter-end	\$ 56.13	\$ 40.75
d. Shares which could be repurchased under the treasury stock method (4.b. divided by 4.c.)	16.5	19.3
e. Addition to average outstanding shares (4.a. - 4.d.)	11.3	8.5
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	785.3	794.3
g. Fully diluted earnings per share (1. divided by 4.f.)	\$.68	\$.60

ABBOTT LABORATORIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)
(Millions of Dollars)THREE MONTHS ENDED
MARCH 31, 1997

Net Earnings	\$ 535
Add (deduct):	
Income taxes	224
Minority interest	4

Net earnings as adjusted	\$ 763

Fixed Charges:	
Interest on long-term and short-term debt	\$ 33
Capitalized interest cost	3
Rental expense representative of an interest factor	7

Total Fixed Charges	43

Total adjusted earnings available for payment of fixed charges	\$ 806

Ratio of earnings to fixed charges	18.7

NOTE: For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; interest expense; capitalized interest cost, net of amortization; minority interest; and the portion of rentals representative of the interest factor, (ii) the Company considers one-third of rental expense to be the amount representing return on capital, and (iii) fixed charges comprise total interest expense, including capitalized interest and such portion of rentals.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ABBOTT LABORATORIES' 1997 FIRST QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FILING.

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3-MOS	DEC-31-1997	
	JAN-01-1997	
	MAR-31-1997	
		134,093
		18,138
		1,891,897
		160,700
		1,199,715
	4,627,438	8,355,593
		3,932,048
	11,200,394	
4,377,610		931,227
	0	0
		741,200
		4,114,968
11,200,394		2,999,814
	2,999,814	1,327,331
		1,327,331
		280,074
		9,322
	32,754	758,618
		223,792
534,826		0
		0
		0
		534,826
		.69
		.68

OTHER EXPENSES CONSIST OF RESEARCH AND DEVELOPMENT EXPENSES