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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(MARK ONE)

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

OR

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

For the fiscal year ended December 31, 2001 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation

36-0698440
(I.R.S. employer identification number)

100 Abbott Park Road
Abbott Park, Illinois 60064-6400

(847) 937-6100
(telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value (including Preferred Stock Purchase Rights)	New York Stock Exchange Chicago Stock Exchange Pacific Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YesX No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the 1,458,610,835 shares of voting stock held by nonaffiliates of the registrant, computed by using the closing price as reported on the consolidated transaction reporting system for Abbott Laboratories common shares without par value on January 31, 2002, was approximately $84,161,845,180. Abbott has no non-voting common equity.

Number of common shares outstanding as of January 31, 2002: 1,556,593,143.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2002 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 12, 2002.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Abbott Laboratories is an Illinois corporation, incorporated in 1900. Abbott's* principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products and services.

FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS, GEOGRAPHIC AREAS, AND CLASSES OF SIMILAR PRODUCTS

Incorporated herein by reference is Note 14 entitled "Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has five reporting revenue segments: Pharmaceutical Products, Diagnostic Products, Hospital Products, Ross Products, and International. Abbott also has a 50 percent owned joint venture, TAP Pharmaceutical Products Inc. During the first quarter of 2001, Abbott acquired the pharmaceutical business of BASF, which includes the global pharmaceutical operations of Knoll Pharmaceuticals.

Pharmaceutical Products

This segment's products include a broad line of adult and pediatric pharmaceuticals which are sold primarily on the prescription or recommendation of physicians.

The principal products included in this segment are Depakote® an agent for the treatment of epilepsy, migraine, and bipolar disorder; the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin®, Omnicef®, an oral cephalosporin antibiotic, and various forms of erythromycin, sold primarily as PCE® or polymer-coated erythromycin, Erythrocin®, and E.E.S.®; Synthroid® for the treatment of hypothyroidism; TriCor® for the treatment of elevated triglycerides; the anti-virals Kaletra® and Norvir®, protease inhibitors for the treatment of HIV infection; Meridia® for the treatment of obesity; Mavik® and Tarka® for the treatment of hypertension; Vicodin® and Vicoprofen® for the treatment of pain. In addition, this segment co-promotes the proton pump inhibitor Prevacid® (lansoprazole) for short-term treatment of duodenal ulcers, gastric ulcers and erosive esophagitis under an agreement with TAP Pharmaceuticals Inc. and Flomax® for the treatment of benign prostatic hyperplasia, Micardis® for the treatment of hypertension, and Mobic® for the treatment of arthritis through an agreement with Boehringer Ingelheim.

This segment markets its products in the United States. These products are generally sold directly to wholesalers, government agencies, health care facilities, and independent retailers from Abbott-owned distribution centers and public warehouses. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of Abbott's brand of products by physicians. Managed care purchasers (for example, health maintenance organizations and pharmacy benefit managers) are increasingly important customers.

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

Competition is generally from other healthcare and pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products which are off-patent.

Diagnostic Products

This segment's products include diagnostic systems and tests for blood banks, hospitals, commercial laboratories, alternate-care testing sites, and consumers. In the fourth quarter of 2001, Abbott acquired all of the outstanding shares of Vysis, Inc., a genomic disease management company.

The principal products included in this segment are systems and reagents used to perform immunoassay tests including Architect®, AxSYM®, IMx®, Abbott Quantum™; Commander®, and Abbott PRISM®; screening and diagnostic tests for hepatitis B, HTLV-I/II, hepatitis B core, and hepatitis C; tests for detection of HIV antibodies and antigens, and other infectious disease detection systems; tests for determining levels of abused drugs; physiological diagnostic tests; cancer monitoring tests including tests for prostate specific antigen (PSA); therapeutic drug monitoring tests; fertility and pregnancy tests and systems such as TDx® and TDxFlx®; the Murex® line of microtiter-based immunoassay test kits; the Vysis® product line of genomic-based tests including the PathVysion™ HER-2 DNA probe kit and the UroVysion™ bladder cancer recurrence kit; the LCx® amplified probe system and reagents; the Abbott TestPack® and Determine™ systems for rapid diagnostic testing; clinical chemistry systems such as Abbott Spectrum®, Aeroset®, and Alcyon®; a full line of hematology systems and reagents known as the Cell-Dyn® series; the MediSense® product line of blood glucose monitoring meters, test strips, data management software and accessories for people with diabetes including Precision Xtra™, MediSense Optium®, Sof-Tact™ (marketed in Europe as Soft-Sense™), Precision Q.I.D.®, MediSense II™, ExacTech® and ExacTech RSG®, TrueMeasure™ strip technology, Precision Link™ Direct, and Precision™ Sure-Dose insulin syringes. In addition, the MediSense Precision PCx® and Precision G® are used in hospital settings along with the i-STAT® point-of-care testing systems, which this segment distributes through a worldwide sales and marketing alliance with i-STAT Corporation. This segment also distributes diagnostic tests used to detect bovine spongiform encephalopathy (BSE) in cattle through a sales and marketing agreement with Enfer Scientific Ltd.

This segment markets its products worldwide. These products are generally marketed and sold directly to hospitals, laboratories, clinics, and physicians' offices from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served. Blood glucose monitoring meters and test strips for people with diabetes are also sold over the counter to consumers.

This segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence. Abbott has benefitted from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products. Certain of this segment's products are subject to restrictions on their sale in the United States. These restrictions are discussed in the section captioned "Regulation" on page 7.

Hospital Products

This segment's products include drugs and drug delivery systems, perioperative and intensive care products, cardiovascular products, renal products, oncology products, intravenous and irrigation solutions, related manual and electronic administration equipment, and diagnostic imaging products for hospitals and alternate-care sites.

The principal products included in this segment are hospital injectables including Carpuject® and FirstChoice® generics; premixed intravenous drugs in various containers; ADD-Vantage® and Nutrimix® drug and nutritional delivery systems; anesthetics, including Pentotha1®, Amidate®, Ultane®, isoflurane, and enflurane; products for anxiety, nausea and pain associated with surgery; Precedex® for sedation; cardiovascular products including Corlopam®; Techstar®, Prostar®, and The Closer™ vessel closure products; Opticath® and OptiQ™ advanced sensor catheters; Transpac® for hemodynamic monitoring; peripheral wires, catheters, and other specialty cardiac products; Calcijex® and Zemplar™, injectable agents for treatment of bone disease in hemodialysis patients; intravenous solutions and related administration equipment sold as the LifeCare® line of products, LifeShield® needleless products, and Venoset® products; irrigating fluids; parenteral nutritionals such as Aminosyn® and Liposyn®; Plum®, Omni-Flow®, GemStar® and Abbott AIM® electronic drug delivery systems; Abbott Pain Manager®; patient-controlled analgesia systems; venipuncture products; and Faultless® rubber sundry products.

This segment markets its products primarily in the United States. They are generally distributed to wholesalers and directly to hospitals from Abbott-owned distribution centers and public warehouses. This segment also develops and manufactures products for other companies.

This segment's products are subject to competition in technological innovation, price, convenience of use, instrument warranty provisions, service, product performance, long-term supply contracts, and product potential for overall cost effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence. Abbott has benefitted from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

Ross Products

This segment's products include a broad line of adult and pediatric nutritionals. These products are sold primarily on the recommendation of physicians or other health care professionals. The segment also includes specialty pharmaceuticals and consumer products.

Principal nutritional products include various forms of prepared infant formula, including Similac®, Similac® 2, Isomi1®, Isomi1® 2, Alimentum®, and Similac NeoSure®; and adult and pediatric products, including Ensure®, Ensure Plus®, Ensure® High Protein, Ensure® Light, Jevity®, Glucerna®, PediaSure®, Pedialyte® and Pulmocare®. Principal consumer products include the Fact Plus® Select™ and Fact Plus® Pro™ pregnancy tests; the dandruff shampoo Selsun Blue®; Murine® eye care and ear care products; and Tronolane® hemorrhoid medication. The principal pharmaceutical product is Survanta®. In addition, this segment co-promotes Synagis® under an agreement with MedImmune Inc. and Xopenex® under and agreement with Sepracor Inc., for the treatment of respiratory disorders and Oxandrin® for the promotion of anabolic activity (weight gain) under an agreement with Bio-Technology General Corp.

This segment markets its products in the United States. Nutritional products are generally sold directly to retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers or public warehouses. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. Competition is generally from other health care manufacturers. Nutritional products are subject to competition in price, formulation, scientific innovation, and promotional initiatives.

This segment's pharmaceutical products are generally marketed and sold directly to physicians, retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers or public warehouses. Primary marketing efforts for this segment's pharmaceutical products are directed at securing the prescription of these products by physicians. Competition is generally from other healthcare and pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors

and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products which are off-patent.

Consumer over-the-counter products and PediaSure®, Pedialyte®, and Ensure® retail products are promoted directly to the public by consumer advertising. These products are generally sold directly to retailers and wholesalers. Competitive products are sold by other diversified consumer and health care companies. Competitive factors include consumer advertising, formulation, scientific innovation, price, and availability of generic product forms.

International

This segment's products include a broad line of hospital, pharmaceutical, and adult and pediatric nutritional products marketed and primarily manufactured outside the United States. These products are sold primarily on the prescription or recommendation of physicians and other health care professionals. This segment also includes consumer products.

This segment's principal products include the anti-infectives clarithromycin, sold under the trademarks Biaxin®, Klacid® and Klaricid®, tosufloxacin, sold in Japan under the trademark Tosuxacin®, and various forms of the antibiotic erythromycin, sold primarily as PCE® or polymer-coated erythromycin, Erythrocin®, and E.E.S.®; the anti-virals Norvir® and Kaletra®, protease inhibitors for the treatment of HIV infection; Lupron®, also marketed as Lucrin®, and Lupron Depot® used for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty and for the preoperative treatment of patients with anemia caused by uterine fibroids; Synthroid® for the treatment of hypothyroidism; Prevacid® (lansoprazole), a proton pump inhibitor for the short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis; various cardiovascular products, including Loftyl®, a vasoactive agent, Mavik® (also marketed as Goptin®), Isoptin® and Tarka® for the treatment of hypertension, Hytrin® (also marketed as Hitrin® and Flotrin®) used for the treatment of hypertension and benign prostatic hyperplasia, candesartan (sold under the trademarks Blopress® and Tiadyl™), an angiotension 2 antagonist; Reductil® (also marketed as Reductyl® and Reductal®) for the treatment of obesity; Uprima® for the treatment of erectile dysfunction; various forms of infant formulas and follow-on formulas, including Similac Advance®, Gain®, and Abbott Grow™; various adult medical nutritionals, including Ensure®, Glucerna®, and Jevity®; and a broad line of hospital products, including the anesthesia products sevoflurane (sold outside of the United States primarily under the trademark Sevorane® and in a few other markets as Ultane®), isoflurane, and enflurane; specialty injectables such as Calcijex® and Survanta®; and electronic drug delivery systems sold in select international markets.

This segment's pharmaceutical and nutritional products are generally sold directly to government agencies, retailers, wholesalers, and health care facilities. In most cases, they are distributed from Abbott-owned distribution centers. Certain products are co-marketed or co-promoted with other companies. Some of these products are marketed and distributed through distributors. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of Abbott's brand of products by physicians. Competition is generally from other healthcare and pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. Competition is generally from other health care manufacturers and food companies. Nutritional products are subject to competition in price, scientific innovation, formulation, and promotional initiatives.

This segment's hospital products are generally distributed to wholesalers and directly to hospitals from distribution centers maintained by Abbott. This segment is subject to competition in technological innovation, price, convenience of use, instrument warranty provisions, service, product performance, long-term supply contracts, and product potential for overall cost effectiveness and productivity gains. Products in this segment can be subject to rapid product obsolescence. Abbott has benefitted from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

TAP Pharmaceutical Products Inc.

Under an agreement between Abbott and Takeda Chemical Industries, Ltd. of Japan (Takeda), TAP Pharmaceutical Products Inc. (owned 50 percent by Abbott and 50 percent by an affiliate of Takeda), together with its subsidiary, TAP Pharmaceuticals Inc. (TAP), develops and markets pharmaceutical products for the United States and Canada. TAP markets Lupron®, an LH-RH analog, and Lupron Depot®, a sustained release form of Lupron®, in the United States. Lupron® and Lupron Depot® are used principally for the palliative treatment of advanced prostate cancer and for the treatment of endometriosis and central precocious puberty and for the preoperative treatment of patients with anemia caused by uterine fibroids. TAP also markets Prevacid® (lansoprazole), a proton pump inhibitor, and has a co-promotion arrangement with Abbott for Prevacid®. Its principal indications are for short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis. The patents related to lansoprazole are material to the operation of TAP's business. The original United States compound patent covering lansoprazole is licensed by TAP from Takeda and will expire in 2009.

TAP's products are generally sold directly to physicians, retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of TAP's brand of products by physicians. Managed care purchasers (for example, health maintenance organizations and pharmacy benefit managers) are increasingly important customers. Competition is generally from other pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products that are off-patent.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

Patents, Trademarks, and Licenses

Abbott is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for Abbott's products in the United States and all countries of major marketing interest to Abbott. Abbott owns and is licensed under a substantial number of patents and patent applications. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 5. These, and various patents which expire during the period 2002 to 2022, in the aggregate are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to clarithromycin (which is sold under the trademarks Biaxin®, Klacid® and Klaricid®) and those related to divalproex sodium (which is sold under the trademark

Depakote®), are material in relation to Abbott's business as a whole. The original United States compound patent covering clarithromycin is licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan, and will expire in 2005. The original United States compound patents covering divalproex sodium will expire in 2008. Litigation involving Abbott's patents covering divalproex sodium is discussed in Legal Proceedings on page 11. See also the discussion on page 5 regarding the patents related to lansoprazole, which is sold by TAP as Prevacid® under a license from Takeda.

Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. The incidence of certain infectious diseases which occur at various times in different areas of the world does, however, affect the demand for Abbott's anti-infective products. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No single customer accounted for sales equaling 10 percent or more of Abbott's consolidated net sales. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of the government.

Research and Development

Abbott spent $1,577,552,000 in 2001, $1,351,024,000 in 2000, and $1,193,963,000 in 1999 on research to discover and develop new products and processes and to improve existing products and processes. Abbott continues to concentrate research expenditures on pharmaceutical and diagnostic products.

Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. Abbott's capital and operating expenditures for pollution control in 2001 were approximately $36 million and $66 million, respectively. Capital and operating expenditures for pollution control are estimated to approximate $38 million and $73 million, respectively, in 2002.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at 27 locations in the United States including Puerto Rico under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. The aggregate costs of remediation at these sites by all identified parties are uncertain but have been subject to widely ranging estimates totaling as much as several hundred million dollars. In many cases, Abbott believes that the actual costs will be lower than these estimates, and the fraction for which Abbott may be responsible is anticipated to be considerably less and will be paid out over a number of years. Abbott may participate in the investigation or cleanup at these sites. Abbott is also voluntarily investigating potential contamination at seven Abbott-owned sites, and is engaged in remediation at these sites, in cooperation with the Environmental Protection Agency (EPA) or similar agencies.

While it is not feasible to predict with certainty the costs related to the previously described investigations and cleanup activities, Abbott believes that such costs, together with other expenditures to maintain compliance with applicable laws and regulations concerning environmental protection, should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Employees

Abbott employed 71,426 persons as of December 31, 2001.

Regulation

On November 4, 1999, a consent decree was entered in the United States District Court for the Northern District of Illinois which settled issues with the United States government involving alleged noncompliance with the FDA's Quality System Regulations at Abbott's diagnostic manufacturing operations in Lake County, Illinois. The decree, which was amended in December 2000, requires Abbott to ensure its diagnostic manufacturing processes in Lake County, Illinois conform with the FDA's Quality System Regulation. The consent decree does not represent an admission by Abbott of any violation of the Federal Food, Drug and Cosmetic Act or its regulations. The decree allows for the continued manufacture and distribution of medically necessary diagnostic products made in Lake County, Illinois, such as certain assays for hepatitis, retrovirus, cardiovascular disease, cancer, thyroid disorders, fertility, drug monitoring, and congenital and respiratory conditions. However, Abbott is prohibited from manufacturing or distributing certain other diagnostic products until Abbott ensures the processes in its Lake County, Illinois diagnostics manufacturing operations conform with the Quality System Regulation. Under the terms of the amended consent decree Abbott must ensure its diagnostics manufacturing operations are in conformance with the FDA's Quality System Regulation by various dates through January 15, 2001. The FDA performed an inspection of Abbott's Lake County, Illinois diagnostics manufacturing operations during the fourth quarter of 2001 and first quarter of 2002 to determine whether those operations are in conformity with the FDA's Quality System Regulation. If the FDA concludes that those operations were not in conformity, Abbott may be required to make additional payments to the FDA. The consent decree does not affect Abbott's MediSense, i-STAT, hematology, Murex or Vysis products; the clinical chemistry products Abbott Spectrum®, Aeroset®, and Alcyon®; or any other Abbott divisions or their products. The consent decree allows Abbott to export diagnostic products and components for sale and distribution outside the United States if they meet the export requirements of the Federal Food, Drug and Cosmetic Act.

The development, manufacture, sale, and distribution of Abbott's products are subject to comprehensive government regulation. Government regulation by various federal, state, and local agencies, which includes detailed inspection of, and controls over, research and laboratory procedures, clinical investigations, and manufacturing, marketing, sampling, distribution, record keeping, storage, and disposal practices, substantially increases the time, difficulty, and costs incurred in obtaining and maintaining the approval to market newly developed and existing products. Government regulatory actions can result in delay in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions.

Continuing studies of the utilization, safety, and efficacy of health care products and their components are being conducted by industry, government agencies, and others. Such studies, which employ increasingly sophisticated methods and techniques, can call into question the utilization, safety, and efficacy of previously marketed products and in some cases have resulted, and may in the future result, in the discontinuance of marketing of such products and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

The cost of human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in the United States and other countries. In the United States, most states have enacted generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's version of a pharmaceutical product for the one prescribed. Federal and state governments continue to press efforts to reduce costs of Medicare and Medicaid programs, including restrictions on amounts agencies will reimburse for the use of products. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home, and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on diagnosis rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or

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control expenditures for many health care products. Manufacturers must pay certain statutorily-prescribed rebates on Medicaid purchases for reimbursement on prescription drugs under state Medicaid plans. The Veterans Health Care Act of 1992 requires manufacturers to extend additional discounts on pharmaceutical products to various federal agencies, including the Department of Veterans Affairs, Department of Defense, and Public Health Service entities and institutions.

In the United States, governmental cost-containment efforts have extended to the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). All states participate in WIC and have sought and obtained rebates from manufacturers of infant formula whose products are used in the program. Over the last five years, all of the states have conducted competitive bidding for infant formula contracts which require the use of specific infant formula products by the state WIC program. States participating in WIC are required to engage in competitive bidding or to use any other cost containment measure that yields savings equal to or greater than the savings generated by a competitive bidding system.

Governmental regulatory agencies require prescription drug manufacturers to pay fees. The FDA imposes substantial fees on various aspects of the approval, manufacture, and sale of proprietary prescription drugs.

Abbott expects debate to continue during 2002 at both the federal and the state level 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. Many countries, directly or indirectly through reimbursement limitations, control the selling price of most health care products. Furthermore, many developing countries limit the importation of raw materials and finished products. International regulations also are having an impact on United States regulations. The International Organization for Standardization (ISO) provides the criteria for meeting the regulations for medical devices within the European Union. Abbott has made significant strides in gaining ISO 9000 and European Norm 46000 certification for facilities that manufacture devices for European markets. FDA regulations governing the manufacture of medical devices appear to encompass and exceed the ISO's approach to regulating medical devices. The FDA's adoption of the ISO's approach to regulation and other changes to the manner in which the FDA regulates medical devices will increase the cost of compliance with those regulations.

Efforts to reduce health care costs are also being made in the private sector. Health care providers have responded by instituting various cost reduction and containment measures.

It is not possible to predict the extent to which Abbott or the health care industry in general might be affected by the matters discussed above.

INTERNATIONAL OPERATIONS

Abbott markets products in approximately 130 countries through affiliates and distributors. Most of the products discussed in the preceding sections of this report are also sold outside the United States. In addition, certain products of a local nature and variations of product lines to meet local regulatory requirements and marketing preferences are manufactured and marketed to customers outside the United States. International operations are subject to certain additional risks inherent in conducting business outside the United States, including price and currency exchange controls, changes in currency exchange rates, limitations on foreign participation in local enterprises, expropriation, nationalization, and other governmental action.

ITEM 2. PROPERTIES

Abbott's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-6400. The locations of Abbott's principal plants are listed below.

Location	Reportable Segments of Products Produced
Abbott Park, Illinois	Pharmaceutical Products, Diagnostic Products, and Hospital Products
Abingdon, England	Diagnostic Products
Altavista, Virginia	Ross Products
Ashland, Ohio	Hospital Products
Austin, Texas	Hospital Products
Barceloneta, Puerto Rico	Pharmaceutical Products and Diagnostic Products
Bedford, Massachusetts	Diagnostic Products
Brockville, Canada	International
Campoverde, Italy	International
Casa Grande, Arizona	Ross Products
Columbus, Ohio	Ross Products
Dartford, England	Diagnostic Products
Delkenheim, Germany	Diagnostic Products
Haina, San Cristoba, Dominican Republic	Hospital Products
Irving, Texas	Diagnostic Products
Katsuyama, Japan	International
Laurinburg, North Carolina	Hospital Products
Liscate, Italy	International
Ludwigshafen, Germany	International
Matsudo, Japan	International
McPherson, Kansas	Hospital Products
Mexico City, Mexico	International
Montreal, Canada	International
Morgan Hill, California	Hospital Products
North Chicago, Illinois	Pharmaceutical Products and Hospital Products
Queenborough, England	International
Redwood City, California	Hospital Products
Rocky Mount, North Carolina	Hospital Products
Salt Lake City, Utah	Hospital Products
San Jose, Costa Rica	Hospital Products
Santa Clara, California	Diagnostic Products
Sligo/Donegal/Cootehill/Finisklin, Ireland	Diagnostic Products and International
Sturgis, Michigan	Ross Products
St. Remy, France	International
Tokyo, Japan	Diagnostic Products
Whippany, New Jersey	Pharmaceutical Products
Zwolle, The Netherlands	International

In addition to the above, Abbott has manufacturing facilities in six other locations in the United States, including Puerto Rico. Outside the United States manufacturing facilities are located in 16 other countries. Abbott's facilities are deemed suitable, provide adequate productive capacity, and generally are utilized at normal and acceptable levels.

In the United States, including Puerto Rico, Abbott owns 10 distribution centers. Abbott also has 16 United States research and development facilities located at: Abbott Park, Illinois; Ashland, Ohio; Bedford, Massachusetts; Columbus, Ohio (two locations); Downers Grove, Illinois; Irving, Texas; Long Grove, Illinois; McPherson, Kansas; Morgan Hill, California; North Chicago, Illinois; Parsippany, New Jersey; Redwood City, California; Santa Clara, California; San Diego, California; and Worchester, Massachusetts. Outside the United States, Abbott has research and development facilities in Argentina, Australia, Canada, Germany, Ireland, Japan, The Netherlands, South Africa, Spain, and the United Kingdom.

The corporate offices, and those principal plants in the United States that are listed above, are owned by Abbott or subsidiaries of Abbott. The remaining manufacturing plants and all other facilities are owned or leased by Abbott or subsidiaries of Abbott. There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations, including (as of January 31, 2002), 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.

On January 26, 2001, the United States District Court for the Northern District of Illinois dismissed, with prejudice, all of complaints that had been filed in 1999 on behalf of a purported class of purchasers of Abbott stock and consolidated in "*In re Abbott Laboratories Securities Litigation*". The United States Court of Appeals for the Seventh Circuit affirmed the dismissal on October 17, 2001. A similar complaint, filed by Lena Gallagher purportedly on behalf of a class of purchasers of ALZA stock, was also dismissed. The plaintiffs had alleged federal securities laws violations by Abbott in connection with Abbott's consent decree with the FDA regarding the manufacturing operations of Abbott's Diagnostic Products division in Lake County, Illinois. Plaintiffs have not sought further review and the litigation is now over.

On March 28, 2001, the United States District Court for the Northern District of Illinois dismissed a number of shareholder derivative suits filed in 1999 against Abbott's directors in connection with Abbott's consent decree with the FDA. These suits had been consolidated as "*In re Abbott Laboratories Derivative Shareholder Litigation*". The plaintiffs alleged that the directors breached their duty of care by failing to prevent Abbott's alleged regulatory non-compliance and sought unspecified damages from the directors. Plaintiffs have appealed to the United States Court of Appeals for the Seventh Circuit. A virtually identical derivative action filed by Craig Heneghan and Marjory Motiaytis in the Circuit Court of Lake County, Illinois was also dismissed. The plaintiffs did not appeal that dismissal and that litigation is now over.

In the mid-1990s a number of prescription pharmaceutical pricing antitrust suits were brought on behalf of retail pharmacies 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 cases seek treble damages, civil penalties, and injunctive and other relief. 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.* In October, 2001, an order was issued remanding the federal cases to their courts of original jurisdiction. Various motions to consolidate these cases are pending. The state cases are pending in Clarke County, Alabama and Santa Clara County, California. The cases that previously were pending in Monterey County, California; San Francisco County, California (5 cases); San Joaquin County, California; Prentiss County,

Mississippi; Burleigh County, North Dakota; San Miguel County, New Mexico; Hughes County, South Dakota; Cocke County, Tennessee; and Marshall County, West Virginia have either been dismissed or settled. An investigation is also being conducted into the same allegations by the Illinois Attorney General.

Three cases were pending in which Abbott seeks to protect its patents for divalproex sodium (a drug that Abbott sells under the trademark Depakote®). The United States District Court for the Northern District of Illinois has granted Abbott's motion for summary judgment against Alra Laboratories, Inc. ("Alra") and has found that Alra's product infringes Abbott's patents. Alra has appealed to the Federal Circuit Court of Appeals. Abbott originally sued Alra on August 28, 1992. The United States District Court for the Northern District of Illinois has also granted Abbott's motion for summary judgment against TorPharm, a division of Apotex, Inc. ("TorPharm") holding that TorPharm's proposed product infringed Abbott's patents. TorPharm has appealed to the Federal Circuit Court of Appeals. Abbott originally sued TorPharm on October 24, 1997. On April 13, 2000, Abbott sued Andrx Corporation, Andrx Pharmaceutical, and Andrx Pharmaceutical, LLC in the United States District Court for the Southern District of Florida alleging patent infringement. The court has stayed the litigation at the request of the parties.

A number of antitrust cases were pending in federal court (including a case filed by the Attorneys General of the States of Colorado, Florida and Kentucky and a case filed by the Attorney General of West Virginia) and various state courts in connection with the settlement of litigation by Abbott involving terazosin hydrochloride, a drug sold by Abbott under the trademark Hytrin®. These cases (which were brought against Abbott, Geneva Pharmaceuticals, Inc. and Zenith Goldline Pharmaceuticals, Inc.) seek actual damages, treble damages, and other relief and allege Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws. The federal court cases are pending in the United States District Court for the Southern District of Florida under the Multidistrict Litigation Rules as *In Re: Terazosin Hydrochloride, MDL No. 1317.* The state cases include three cases filed in 1999 that have been consolidated and are pending in the Supreme Court of the State of New York, County of New York: *Asher and New Utrecht Pharmacy; Drug Mart Pharmacy Company Corp.;* and *Lisanti.* The other state cases are: *State of West Virginia*, filed in October 2001 in the Circuit Court in Wyoming County, West Virginia; *Daniels*, filed in May 2001 in Superior Court in Orange County, California; *Hopper*, filed in October 2001 in state court in the Superior Court in Pitt County, North Carolina; and, *Schroeder*, filed in January 2002 in the First Judicial District Court in Santa Fe County, New Mexico. Abbott has filed or intends to file a response to each complaint denying all substantive allegations. The State of New York, Office of the Attorney General, is conducting an investigation into the matter.

A number of cases, brought as purported class actions on behalf of individuals or entities, were pending 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: *State of West Virginia ex rel Darrell V. McGraw, Jr. Attorney General v. Warrick Pharmaceuticals Corp., Dey, Inc. Abbott Laboratories and Abbott Laboratories, Inc.*, filed in October, 2001 in state court in Kanawha County, West Virginia; *Jonathan Peralta, a minor by and through his Guardian ad Litem, Filamena Iberia v. Abbott Laboratories*, filed in October, 2001 in state court in Superior Court for the County of Los Angeles, 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; *Citizens for Consumer Justice, et. al. v. Abbott Laboratories, TAP Pharmaceutical Products, Inc. et. al.*, filed in December 2001 in the United States District Court for Massachusetts; *Board of Trustees of Carpenters and Millwrights of Houston and Vicinity Welfare Trust Fund v. Abbott Laboratories, Inc., Baxter International, Baxter Healthcare Corporation, Baxter Pharmaceutical Products, Inc., Bristol-Myers Squibb Company, GlaxoSmithKline Corporation, Glaxo Wellcome, Inc., Pharmacia Corporation, Pharmacia & Upjohn Company, SmithKline Beecham Corporation, and TAP Holdings, Inc.*, filed in December 2001 in the United States District Court for the Eastern District of Texas; and, *State of Nevada v. Abbott Laboratories, Inc., Baxter Pharmaceutical Products, Inc., Bayer Corporation,*

Bristol-Myers Squibb Company, Dey, Inc., Glaxosmithkline Corporation, Glaxo Wellcome, Inc., Pharmacia Corporation, Pharmacia & Upjohn Company, Smith Kline Beecham Corporation, TAP Holdings, Inc., Warrick Pharmaceuticals Corporation and Does 1 through 100, filed in January 2002, in the Second Judicial District Court for the State of Nevada for Washoe County, Nevada. In addition, various state and federal agencies, including the United States Department of Justice and the California, Florida, Illinois, Nevada and Texas Attorneys General, are investigating Abbott's marketing and pricing practices with respect to certain Medicare and Medicaid reimbursable products. These civil investigations seek to determine whether these practices violated any laws, including the Federal False Claims Act or constituted fraud in connection with the Medicare and/or Medicaid reimbursement paid to third parties.

The U.S. Attorney's office in the Southern District of Illinois is conducting an investigation of the enteral nutrition industry, including Abbott. On July 24, 2001, Abbott received a subpoena for documents from the U.S. Attorney's office and is cooperating with the investigation.

In its Form 10-Q for the fiscal quarter ending September 30, 2001, Abbott disclosed that TAP reached a settlement with the United States Department of Justice regarding TAP's marketing and pricing practices for leuprolide acetate depot suspension (a drug TAP markets as Lupron Depot®) and that the settlement was subject to court approval. On December 6, 2001, the United States District Court for the District of Massachusetts accepted TAP's plea, imposed the agreed-upon criminal fine and placed TAP on probation for 5 years.

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. Three are pending in the United States District Court for the Northern District of Illinois: *Russano* (filed September 7, 2001); *Mechanical Contractors—UA Local 119 Welfare Plan* (filed September 25, 2001); and *Townsend* (filed June 12, 2001). Four are pending in the United States District Court for the District of Massachusetts: *Beacon Health Plans, Inc.* (filed May 24, 2001); *Porter* (filed May 18, 2001); *Maczak* (filed on June 19, 2001); and *Empire Healthcare, Inc. d/b/a Empire Blue Cross* (filed January 2, 2002). The other cases pending in federal court are: *Brickly* (filed in the United States District Court for the Northern District of Alabama on October 31, 2001); *Goetting* (filed in the United States District Court for the Southern District of Illinois on October 24, 2001), and *Twin City Bakery Workers Health and Welfare Fund* (filed in the United States District Court for Minnesota on November 5, 2001). Cases are also pending in various state courts: *Campbell-Hubbard* (filed on June 27, 2001 in San Francisco, California); *Clark* (filed on July 20, 2001 in Williamson County, Illinois); *Walker* (filed October 18, 2001 in Cape May County, New Jersey); and *Southerland* (filed October 29, 2001 Lenoir County, North Carolina). Each case is brought as a purported class 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 and seek treble damages, and other relief. Abbott and TAP have filed or intend to file a response in each case denying all substantive allegations.

Three shareholder derivative suits were pending in state court in the Circuit Court of Cook County, Illinois relating to the TAP settlement: *Zimmerman v. Leiden* (filed October 4, 2001); *Thierman v. Leiden* (filed October 4, 2001); and *Raftery v. Leiden* (filed October 17, 2001). The cases name Abbott's current directors (other than R. A. Gonzalez, who was not a director at the time of the settlement) as defendants and allege the defendants breached their fiduciary duties by failing to take action to prevent improper marketing and pricing practices at TAP. The plaintiffs request damages, a return of salaries, reimbursement of their legal fees and costs, and various forms of other relief from those directors on behalf of Abbott. The federal case, *Corwin v. Austin*, was filed in the United States District Court for the Northern District of Illinois on October 5, 2001. The plaintiffs have filed a motion requesting the court to dismiss the federal case.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of Abbott are elected annually by the board of directors. All other officers may be elected by the board or appointed by the chairman of the board. All officers are either elected at the first meeting of the board of directors held after the annual shareholder meeting or appointed by the chairman after that board meeting. Each officer holds office until a successor has

been duly elected or appointed and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any time by the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott. Any officer appointed by the chairman of the board may be removed by the chairman whenever, in the chairman's judgment, removal would serve the best interests of Abbott. A vacancy in any office appointed by the chairman of the board may be filled by the chairman.

Current corporate officers, and their ages as of March 1, 2002, are listed below. The officers' principal occupations and employment from January 1997 to March 1, 2002 and the dates of their first election as officers of Abbott are also shown. Unless otherwise stated, employment was by Abbott for the period indicated. There are no family relationships between any corporate officers or directors.

Miles D. White, 46**

1999 to present — Chairman of the Board and Chief Executive Officer, and Director.

1998 to 1999 — Executive Vice President and Director.

1997 to 1998 — Senior Vice President, Diagnostic Operations.

Elected Corporate Officer — 1993.

Richard A. Gonzalez, 48**

2001 to present — President and Chief Operating Officer, Medical Products Group, and Director.

2000 to 2001 — Executive Vice President, Medical Products.

1998 to 2000 — Senior Vice President, Hospital Products.

1997 to 1998 — Vice President, Abbott HealthSystems.

Elected Corporate Officer — 1995.

Jeffrey M. Leiden, 46**

2001 to present — President and Chief Operating Officer, Pharmaceutical Products Group, and Director.

2000 to 2001 — Executive Vice President, Pharmaceuticals and Chief Scientific Officer, and Director.

2000 — Senior Vice President, Chief Scientific Officer and Director.

1999 to 2000 — Elkan R. Blout Professor of Biological Sciences, Harvard School of Public Health and Professor of Medicine, Harvard Medical School.

1997 to 1999 — Frederick H. Rawson Professor of Medicine and Pathology and Chief of the Section of Cardiology, University of Chicago.

Elected Corporate Officer — 2000.

Christopher B. Begley, 49**

2000 to present — Senior Vice President, Hospital Products.

1999 to 2000 — Senior Vice President, Chemical and Agricultural Products.

1998 to 1999 — Vice President, Abbott HealthSystems.

1997 to 1998 — Vice President, MediSense Operations.

Elected Corporate Officer — 1993.

Thomas D. Brown, 53**

1998 to present — Senior Vice President, Diagnostic Operations.

1997 to 1998 — Vice President, Diagnostic Commercial Operations.

Elected Corporate Officer — 1993.

Jose M. de Lasa, 60**

1997 to present — Senior Vice President, Secretary and General Counsel.

Elected Corporate Officer — 1994.

William G. Dempsey, 50**

1999 to present — Senior Vice President, International Operations.

1998 to 1999 — Senior Vice President, Chemical and Agricultural Products.

1997 to 1998 — Vice President, Hospital Products Business Sector.

Elected Corporate Officer — 1996.

Gary L. Flynn, 52**

2001 to present — Senior Vice President, Ross Products.

1999 to 2001 — Vice President and Controller.

1997 to 1999 — Divisional Vice President and Controller, Ross Products.

Elected Corporate Officer — 1999.

Thomas C. Freyman, 47**

2001 to present — Senior Vice President, Finance and Chief Financial Officer.

1999 to 2001 — Vice President, Hospital Products Controller.

1997 to 1999 — Vice President and Treasurer.

Elected Corporate Officer — 1991.

David B. Goffredo, 47**

2001 to present — Senior Vice President, Pharmaceutical Operations.

1998 to 2001 — Vice President, European Operations.

1997 to 1998 — Vice President, Pharmaceutical Products, Marketing and Sales.

Elected Corporate Officer — 1995.

Thomas M. Wascoe, 55**

1999 to present — Senior Vice President, Human Resources.

1997 to 1999 — Divisional Vice President, Human Resources, Diagnostic Products.

Elected Corporate Officer — 1999.

Lance B. Wyatt, 57**

2000 to present — Senior Vice President, Specialty Products.

1997 to 2000 — Vice President, Corporate Engineering.

Elected Corporate Officer — 1995.

Catherine V. Babington, 49

1997 to present — Vice President, Investor Relations and Public Affairs.

Elected Corporate Officer — 1995.

Mark E. Barmak, 60

2000 to present — Vice President, Government Affairs.

1997 to 2000 — Vice President, Litigation and Government Affairs.

Elected Corporate Officer — 1995.

Michael G. Beatrice, 54

1999 to present — Vice President, Corporate Regulatory and Quality Science.

1997 to 1999 — Executive Vice President and General Manager, Quintiles Strategic Product Development Consulting Services (global regulatory and quality systems consultation service organization).

Elected Corporate Officer — 1999.

Douglas C. Bryant, 44

2002 to present — Vice President, Diagnostic Operations, Europe, Africa and Middle East.

1998 to 2002 — Vice President, Diagnostic Operations, Asia and Pacific.

1997 to 1998 — Commercial Director, Asia and Pacific, Diagnostic Products.

1997 — General Manager, United Kingdom and Ireland, Diagnostic Products.

Elected Corporate Officer — 1998.

Gary R. Byers, 60

1997 to present — Vice President, Internal Audit.

Elected Corporate Officer — 1993.

Thomas F. Chen, 52

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

1997 to 1998 — Regional Director, Taiwan and People's Republic of China.

Elected Corporate Officer — 1998.

Michael J. Collins, 45

2001 to present — Vice President, Diagnostic Operations, U.S.

1998 to 2001 — Divisional Vice President and General Manager, MediSense Operations.

1997 to 1998 — Divisional Vice President, Sales, Diagnostic Products.

Elected Corporate Officer — 2001.

Edward J. Fiorentino, 43

2001 to present — Vice President, MediSense.

1998 to 2001 — Vice President, Pharmaceutical Products, Marketing and Sales.

1997 to 1998 — Divisional Vice President, Marketing, Pharmaceutical Products.

Elected Corporate Officer — 1998.

Stephen R. Fussell, 44

1999 to present — Vice President, Compensation and Development.

1997 to 1999 — Divisional Vice President, Compensation and Benefits.

Elected Corporate Officer — 1999.

Mark F. Gorman, 44

2002 to present — Vice President, Ross Products, Medical Nutritionals.

2001 to 2002 — Divisional Vice President, Europe, Abbott International Division.

2000 to 2001 — Divisional Vice President, Japan, Abbott International Division.

1999 to 2000 — Affiliate General Manager, Puerto Rico, Abbott International Division.

1996 to 1999 — Affiliate General Manager, Denmark, Iceland, and Norway, Abbott International Division.

Elected Corporate Officer — 2002.

Robert B. Hance, 42

2002 to present — Vice President, Vascular Devices**.**

1999 to 2002 — Vice President, Diagnostic Operations, Europe, Africa and Middle East.

1997 to 1999 — Divisional Vice President, European Region, Diagnostic Products.

1997 — Area Business Development Director, Europe, Middle East and Africa, Diagnostic Products.

Elected Corporate Officer — 1999.

Guillermo A. Herrera, 48

2001 to present — Vice President, European Operations.

1998 to 2001 — Vice President, Latin America and Canada Operations.

1997 to 1998 — Vice President, Latin America Operations.

Elected Corporate Officer — 1996.

Terrence C. Kearney, 48

2001 to present — Vice President and Treasurer.

1997 to 2001 — Divisional Vice President and Controller, International Division.

Elected Corporate Officer — 2001.

James J. Koziarz, 53

1997 to present — Vice President, Diagnostic Products Research and Development.

Elected Corporate Officer — 1993.

John C. Landgraf, 49

2000 to present — Vice President, Corporate Engineering.

1997 to 2000 — Divisional Vice President, Manufacturing, Abbott International Division.

1997 — Divisional Vice President, Commercial Operations, Chemical and Agricultural Products.

Elected Corporate Officer — 2000.

Elaine R. Leavenworth, 43

2001 to present — Vice President, Washington Government Affairs.

1999 to 2001 — Vice President, Abbott HealthSystems.

1997 to 1999 — Divisional Vice President, Licensing and New Business Development, Abbott International Division.

1997 — Director, Licensing and Acquisitions, Abbott International Division.

Elected Corporate Officer — 1999.

Gerald Lema, 41

2002 to present — Vice President, Diagnostic Operations, Asia and Pacific.

1999 to 2002 — Divisional Vice President, Europe, Africa and Middle East, Diagnostic Products.

1996 to 1999 — Affiliate General Manager, Turkey, Abbott International Division.

Elected Corporate Officer — 2002.

John M. Leonard, 44

2001 to present — Vice President, Global Pharmaceutical Drug Development.

1999 to 2001 — Vice President, Pharmaceutical Development.

1997 to 1999 — Divisional Vice President, Pharmaceutical Development, Pharmaceutical Products Research and Development.

1997 — Therapeutic Area Venture Head, Pharmaceutical Products Research and Development.

Elected Corporate Officer — 1999.

Holger Liepmann, 50

2001 to present — Vice President, Japan Operations, Abbott International Division.

1999 to 2001 — Divisional Vice President and Regional Director, Europe.

1997 to 1999 — General Manager.

Elected Corporate Officer — 2001.

Greg W. Linder, 45**

2001 to present — Vice President and Controller.

1999 to 2001 — Vice President and Treasurer.

1997 to 1999 — Divisional Vice President and Controller, Hospital Products.

Elected Corporate Officer — 1999.

John F. Lussen, 60

1997 to present — Vice President, Taxes.

Elected Corporate Officer — 1985.

Richard J. Marasco, 46

2001 to present — Vice President, Ross Products, Pediatrics.

1999 to 2001 — Divisional Vice President and General Manager, Neuroscience, Pharmaceutical Products Division.

1999 — Divisional Vice President, Marketing.

1997 to 1999 — Regional Manager, Middle East, Africa, Turkey.

Elected Corporate Officer — 2001.

Heather L. Mason, 42

2001 to present — Vice President, Pharmaceutical Products, Specialty Operations.

2001 — Divisional Vice President and General Manager Diabetes/Metabolics, Pharmaceutical Products Division.

2000 to 2001 — Divisional Vice President, Oncology and Managed Healthcare.

1998 to 2000 — Divisional Vice President, Managed Healthcare.

1997 to 1998 — Business Unit Director, Managed Healthcare.

1997 — National Accounts Director, Managed Healthcare.

Elected Corporate Officer — 2001.

P. Loreen Mershimer, 47

2001 to present — Vice President, Hospital Products Business Sector.

1998 to 2001 — Divisional Vice President, Hospital Business Systems.

1997 to 1998 — General Manager, Renal Care.

Elected Corporate Officer — 2001.

Edward L. Michael, 45

1999 to present — Vice President, Diagnostic Assays and Systems.

1997 to 1999 — Vice President, Diagnostic Operations, Europe, Africa, and Middle East.

1997 — Director, Area Operations and Scientific Development.

Elected Corporate Officer — 1997.

Karen L. Miller, 48

2000 to present — Vice President, Information Technology.

1997 to 2000 — Divisional Vice President, Information Systems, Diagnostic Products.

1997 — Director, Business Systems, Diagnostic Products.

Elected Corporate Officer — 2000.

Joseph M. Nemmers Jr., 48

2001 to present — Vice President, Hospital Products Business Sector.

2001 — Divisional Vice President, Acquisition Integration Management, International Division.

1999 to 2001 — Vice President and Executive Director, Clara Abbott Foundation.

1999 — Director, Marketing & Sales Service.

1998 to 1999 — Director, Field Operations.

1997 to 1998 — Director, Materials Management, Pharmaceutical Products Division.

Elected Corporate Officer — 2001.

Daniel W. Norbeck, 43

2001 to present — Vice President, Global Pharmaceutical Discovery.

1999 to 2001 — Vice President, Pharmaceutical Discovery.

1998 to 1999 — Divisional Vice President, Discovery, Pharmaceutical Products Research and Development.

1997 to 1998 — Divisional Vice President, Area Head, Pharmaceutical Products Research and Development.

Elected Corporate Officer — 1999.

Edward A. Ogunro, 49

1999 to present — Vice President, Hospital Products Research and Development, Medical and Regulatory Affairs.

1997 to 1999 — Divisional Vice President, Immunodiagnostics and Chemistry, Diagnostic Products.

Elected Corporate Officer — 1999.

Roberto Reyes, 48

2001 to present — Vice President, Latin America and Canada.

1998 to 2001 — Divisional Vice President and General Manager, Latin America and Canada, Diagnostic Products.

1997 to 1998 — General Manager, Diagnostic Products.

Elected Corporate Officer — 2001.

Mary T. Szela, 38

2001 to present — Vice President, Pharmaceutical Products, Primary Care Operations.

2001 — Vice President, Hospital Products Business Sector.

1998 to 2001 — Divisional Vice President, Hospital Products Business Sector.

1997 to 1998 — General Manager, Anesthesia, Hospital Products.

Elected Corporate Officer — 2001.

Marcia A. Thomas, 54

1999 to present — Vice President, Diagnostic Quality Assurance, Regulatory Affairs and Compliance.

1997 to 1999 — Vice President, Quality Assurance and Regulatory Affairs.

Elected Corporate Officer — 1996.

James L. Tyree, 48

2001 to present — Vice President, Global Licensing / New Business Development.

2000 to 2001 — Divisional Vice President, Licensing / New Business Development.

1997 to 2000 — Divisional Vice President and General Manager, Abbott International Division.

1997 — Deputy General Manager, Japan.

1997 — President of Sugen, Inc. (A bio-pharmaceutical corporation).

Elected Corporate Officer — 2001.

Steven J. Weger Jr., 57

1997 to present — Vice President, Corporate Planning and Development.

Elected Corporate Officer — 1996.

Susan M. Widner, 45

2001 to present — Vice President, Abbott HealthSystems.

1998 to 2001 — Vice President, Diagnostic Operations, U.S. and Canada.

1997 to 1998 — Divisional Vice President, Worldwide Marketing, Diagnostic Products.

Elected Corporate Officer — 1998.

** Pursuant to Item 401(b) of Regulation S-K, Abbott has identified these persons as "executive officers" within the meaning of Item 401(b).

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange. Shares are also listed on the Chicago Stock Exchange and the Pacific Exchange and are traded on the Boston, Cincinnati, and Philadelphia Exchanges. Outside the United States, Abbott's shares are listed on the London Stock Exchange and the Swiss Stock Exchange.

	Market Price Per Share			
	2001		2000	
	high	low	high	low
First Quarter	50.55	42.00	$36\frac{1}{2}$	$29\frac{3}{8}$
Second Quarter	54.00	43.43	$44\frac{11}{16}$	$35\frac{3}{8}$
Third Quarter	53.82	46.35	49	$39\frac{5}{16}$
Fourth Quarter	57.17	50.40	$56\frac{1}{4}$	$45\frac{7}{16}$

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

Shareholders

There were 97,760 shareholders of record of Abbott common shares as of December 31, 2001.

Dividends

Quarterly dividends of $.21 per share and $.19 per share were declared on common shares in 2001 and 2000, respectively. Abbott Laboratories is an Illinois High Impact Business (HIB) and is located in a federal Foreign Trade Sub-Zone (Sub-Zone 22F). Effective June 15, 2001, dividends may be eligible for a subtraction from base income for Illinois income tax purposes. If you have questions, please contact your tax advisor.

ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31				
	2001	2000	1999	1998	1997
	(dollars in millions, except per share data)				
Net sales	$ 16,285.2	$ 13,745.9	$ 13,177.6	$ 12,512.7	$ 11,889.3
Net earnings	1,550.4	2,786.0	2,445.8	2,334.4	2,079.1

Basic earnings per common share	1.00	1.80	1.59	1.52	1.34
Diluted earnings per common share	0.99	1.78	1.57	1.50	1.32
Total assets	23,296.4	15,283.3	14,471.0	13,259.9	12,101.8
Long-term debt	4,335.5	1,076.4	1,336.8	1,339.7	938.0
Cash dividends declared per common share	.84	.76	.68	.60	.54

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

Results of Operations

Sales

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

	Total % Change	Components of Change %		
		Price	Volume	Exchange
Total Net Sales				
2001 vs. 2000	18.5	0.7	20.1	(2.3)
2000 vs. 1999	4.3	(0.3)	6.6	(2.0)
1999 vs. 1998	5.3	(0.1)	6.1	(0.7)
Total U.S.				
2001 vs. 2000	17.2	0.7	16.5	—
2000 vs. 1999	6.1	(0.7)	6.8	—
1999 vs. 1998	4.8	(0.5)	5.3	—
Total International				
2001 vs. 2000	20.7	0.6	26.1	(6.0)
2000 vs. 1999	1.5	0.4	6.3	(5.2)
1999 vs. 1998	6.1	0.6	7.4	(1.9)
Pharmaceutical Products Segment (a)				
2001 vs. 2000	45.7	2.8	42.9	—
2000 vs. 1999	7.6	(2.5)	10.1	—
1999 vs. 1998	2.7	—	2.7	—
Diagnostic Products Segment				
2001 vs. 2000	0.2	(0.2)	4.2	(3.8)
2000 vs. 1999	(2.9)	—	0.7	(3.6)
1999 vs. 1998	8.9	(1.2)	10.7	(0.6)
Hospital Products Segment				
2001 vs. 2000	10.8	(1.2)	12.0	—
2000 vs. 1999	11.5	(1.7)	13.2	—
1999 vs. 1998	2.7	(1.5)	4.2	—
Ross Products Segment				
2001 vs. 2000	2.6	2.1	0.5	—
2000 vs. 1999	4.0	1.6	2.4	—
1999 vs. 1998	6.0	0.9	5.1	—
International Segment (a)				
2001 vs. 2000	33.6	0.4	39.2	(6.0)
2000 vs. 1999	3.2	0.9	7.1	(4.8)
1999 vs. 1998	6.8	1.8	7.4	(2.4)

(a) In 2001, Pharmaceutical and International segment sales were favorably impacted by the acquisition of the pharmaceutical business of BASF.

Sales of new products in 2001 are estimated to be $939 million, excluding the effect of the acquisition of the pharmaceutical business of BASF. Increases, as disclosed in Note 14, in adult nutritionals in all three years and in anti-infectives in 1999 were primarily due to unit increases. The decreases in anti-infectives for 2001 and 2000 were due primarily to unit decreases.

Operating Earnings

Gross profit margins (sales less cost of products sold, including distribution expenses) were 52.4 percent of net sales in 2001 and 54.6 percent in 2000 and 1999. The decrease in the gross profit margin in 2001 was due primarily to increased goodwill and intangibles amortization as a result of the acquisition of the pharmaceutical business of BASF and one-time integration charges, partially offset by favorable product mix. Gross profit margins in all years were also affected by productivity improvements, partially offset by the negative effect of the relatively stronger U.S. dollar, higher project expenses for new products, higher manufacturing capacity costs for anticipated unit growth, and the effects of inflation and competitive pricing pressures. In the U.S., states receive price rebates from manufacturers of infant formula under the federally subsidized Special Supplemental Food Program for Women, Infants, and Children. There are also rebate programs for pharmaceutical products. These rebate programs continue to have a negative effect on the gross profit margins of the Ross and Pharmaceutical segments.

As a result of the consent decree entered into with the U.S. government in 1999, as discussed in Note 17, 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 conformance with the QSR after an inspection of Abbott's facilities in the fourth quarter of 2001 and the first quarter of 2002. 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.

Research and development expense was $1.6 billion in 2001 and represented 9.7 percent of net sales, compared to 9.8 percent of net sales in 2000, and 9.1 percent of net sales in 1999. The increase in research and development expenses in 2001 was concentrated primarily on pharmaceutical products. Research and development expenditures continue to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses increased 29.0 percent in 2001, net of the favorable effect of the relatively stronger U.S. dollar of 2.4 percent, compared to increases of 1.3 percent in 2000, and

3.5 percent in 1999. The increase in selling, general and administration in 2001 was due primarily to the acquisition of the pharmaceutical business of BASF. The increases, net of exchange, in all three years also reflect inflation and additional selling and marketing support primarily in the International, Pharmaceutical and Hospital segments.

Abbott's income from TAP Pharmaceutical Products Inc. (TAP) Joint Venture was adversely affected in 2001 and 2000 as a result of the settlement of the U.S. Department of Justice investigation of TAP's marketing of *Lupron*, as discussed in Note 16.

Interest (Income) Expense, Net

Net interest expense increased in 2001 primarily due to a higher level of borrowings as a result of the acquisition of the pharmaceutical business of BASF. Net interest expense decreased in 2000 and 1999 due to a lower level of borrowings and a higher level of investment securities.

Taxes on Earnings

The effective income tax rates were 17.7 percent in 2001, 27.0 percent in 2000, and 28.0 percent in 1999. The 2001 tax rate is lower than the 2000 tax rate due primarily to the effect of the benefit of tax exemptions in several taxing jurisdictions in relation to Abbott's decreased pretax income in 2001 compared to 2000. Excluding the effects of the acquisitions of the pharmaceutical business of BASF and Vysis, Inc., the effective tax rate for 2001 would have been approximately 26 percent. The 2000 tax rate was lower than the 1999 tax rate due, in part, to the domestic dividend exclusion applicable to the increased earnings of TAP Pharmaceutical Products Inc.

Earnings

Abbott recorded certain nonrecurring charges to earnings in 2001 primarily related to the acquisitions of the pharmaceutical business of BASF and of Vysis, Inc. and other items. Management's analysis of these nonrecurring items compared to reported net income and diluted earnings per share in accordance with generally accepted accounting principles (GAAP) is as follows:

Description	Amount
	(in millions, except per share amounts)
Acquired in-process research and development	$ 1,330
TAP Pharmaceutical Products Inc. joint venture income adjustment relating to *Lupron* marketing settlements	289
Acquisition related charges other than acquired in-process research and development	262
Equity impairments and other charges	102
Total pretax nonrecurring charges	1,983
Taxes on nonrecurring charges	590
Net income effect of nonrecurring charges	1,393
Net income as reported (GAAP)	1,550
Net income excluding nonrecurring charges	$ 2,943
Diluted earnings per share effect of nonrecurring charges	$ 0.89
Diluted earnings per share as reported (GAAP)	0.99
Diluted earnings per share excluding nonrecurring charges	$ 1.88

Financial Condition

Cash Flow

Abbott expects annual cash flow from operating activities to continue to approximate or exceed Abbott's capital expenditures and cash dividends.

Abbott does not have material exposures to off-balance sheet arrangements, including special purpose entities, or activities that include non-exchange-traded contracts accounted for at fair value.

Debt and Capital

At December 31, 2001, 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. As a result of the acquisition of the pharmaceutical business of BASF, Abbott's credit ratings were adjusted to reflect the increased borrowings that financed the acquisition.

Under a registration statement filed with the Securities and Exchange Commission in 2001, Abbott issued $3.250 billion of long-term debt securities. Proceeds from this issuance were used to reduce short-term commercial paper borrowings, which were primarily used to finance the acquisition of the pharmaceutical business of BASF. Under the registration statement, Abbott may issue $250 million in the future in the form of debt securities or common shares without par value.

Working Capital

At December 31, 2001, 2000, and 1999, working capital was $492 million, $3.1 billion, and $1.9 billion, respectively.

Capital Expenditures

Capital expenditures of $1.2 billion in 2001, $1.0 billion in 2000, and $987 million in 1999 were principally for upgrading and expanding manufacturing, research and development, and administrative support facilities in all segments, and for laboratory instruments and hospital equipment placed with customers. This level of capital expenditures is expected to continue, with an increased proportion dedicated to the Hospital, International and Diagnostic segments.

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 state levels over the availability, method of delivery, and payment for health care products and services. 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.

Business Combinations and Divestiture

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. This acquisition was

financed primarily with short- and long-term borrowings. The acquisition is accounted for under the purchase method of accounting. The allocation of the acquisition cost is as follows *(in billions of dollars)*:

Acquired intangible assets, primarily product rights for currently marketed products	$ 3.5
Goodwill	2.4
Acquired in-process research and development	1.2
Deferred income taxes resulting primarily from nondeductible intangibles	(0.4)
Acquired net tangible assets	0.5
Total allocation of acquisition cost	$ 7.2

The acquisition cost has been allocated to intangible assets, goodwill, acquired in-process research and development, and net tangible assets based on an independent appraisal of fair values as of the date of acquisition. Product rights for currently marketed products will be amortized on a straight-line basis over 10 to 16 years (average 13 years), and goodwill was amortized in 2001 on a straight-line basis over 20 years. Acquired in-process research and development was charged to expense in 2001. The net tangible assets acquired consist primarily of property and equipment of approximately $630 million, trade accounts receivable of approximately $402 million, and inventories of approximately $275 million, net of assumed liabilities, primarily trade accounts payable and other liabilities.

Prior to the date of acquisition, Abbott began to plan for the integration and restructuring of the business. In 2001, Abbott formally approved several restructuring plans and is continuing to assess and formulate further restructuring plans for specific business activities. Certain costs of implementing formally approved plans have been included in the reported amount of goodwill above. Abbott expects that additional restructuring plans will be finalized and formally approved, which will increase the amount of reported goodwill above. In addition, integration of the acquired operations will result in charges that will be recorded against earnings in the periods in which the integration plans are finalized.

The following unaudited pro forma financial information reflects the consolidated results of operations of Abbott as if the acquisition of the pharmaceutical business of BASF had taken place on January 1, 2000. The pro forma information includes primarily adjustments for acquired in-process research and development, amortization of product rights for currently marketed products, interest expense for estimated acquisition debt, and amortization of goodwill. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transaction been effected on the assumed date.

	2001 Pro Forma	2000 Pro Forma
	(in billions, except per share amounts)	
Net sales	$ 16.7	$ 16.1
Net income	2.3	2.5
Diluted earnings per common share	1.46	1.62

In November 2001, Abbott acquired, for cash, all of the outstanding common stock of Vysis, Inc., a leading genomic disease management company. Of the cash acquisition cost of approximately $362 million, $162 million was allocated to developed technology, which will be amortized over 15 years, and $143 million was charged against earnings in 2001 for acquired in-process research and development. The remaining acquisition cost was allocated to net tangible assets and goodwill. Had this acquisition taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

In 2000, Abbott sold its agricultural products business to Sumitomo Chemical Co., Ltd., resulting in a $138 million gain.

Restructuring Plans
(in millions of dollars)

In 2001, Abbott began implementing restructuring plans related to the operations of the acquired pharmaceutical business of BASF. In addition, Abbott announced in 2001 that it was closing one of its manufacturing operations and relocating production to other Abbott facilities. The following summarizes the restructuring activity:

	Employee-Related and Other	Asset Impairments	Total
Restructuring charges	$ 195.5	$ 11.5	$ 207.0
Payments and other activity	(106.7)	(11.5)	(118.2)
Accrued balance at December 31, 2001	$ 88.8	$ —	$ 88.8

Of the $207.0 total restructuring charges, $155.5 has been recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. Of the amount expensed, approximately $35.8 is classified as cost of products sold, $13.3 as selling, general and administrative, and $2.4 as research and development. Employee-related costs are primarily severance pay, relocation of former BASF employees and outplacement services. Approved restructuring plans cover 2,393 employees, of which approximately 1,200 were severed by year end. Employee groups covered under the restructuring plans include manufacturing, research and development, and sales and administrative-related functions.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for using the purchase method of accounting. With the adoption of SFAS No. 142 on January 1, 2002, goodwill will no longer be subject to amortization over its estimated useful life. Goodwill will be subject to at least an annual assessment of impairment by applying a fair-value-based test, beginning on the date of adoption of the new standard. Abbott is assessing the potential impact, if any, that may be caused by the assessment of impairment requirements of SFAS No. 142. Abbott estimates that annual goodwill amortization in 2001 subject to the new rule would have been approximately $80 million to $100 million on an after-tax basis.

In addition, in 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," and No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Adoption of the provisions of these statements will not have a material effect on the financial statements of Abbott.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management
(Unaudited)

Interest Rate Sensitive Financial Instruments

In 2001, Abbott entered into interest rate hedge contracts totaling $2.450 billion to manage its exposure to changes in the fair value of $2.450 billion of long-term debt due in July 2004 and 2006. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. As of December 31, 2001, and 2000, Abbott had $2.9 billion and $185 million, respectively, of domestic commercial paper outstanding with an average interest rate of 1.8% and 6.5%, respectively, and with an average remaining life of 14 days and three days, respectively. The fair market value of long-term debt at December 31, 2001, and 2000, amounted to $4.5 billion and $1.3 billion, respectively, and consisted primarily of fixed-rate (average of 5.5% and 6.1%, respectively) debt with maturities through 2023. As of December 31, 2001, and 2000, the fair market value of current and long-term investment securities maturing through 2023 amounted to $345 million and $571 million, respectively. Approximately 13 percent and 10 percent of these investments as of December 31, 2001, and 2000, respectively, have fixed interest rates (average of 7.4% and 6.9%, respectively), while the remaining investments have variable rates. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values. (A 100-basis point change is a reasonably possible near-term change in rates.)

Market Price Sensitive Financial Instruments

Abbott maintains a portfolio of available-for-sale equity securities from strategic technology acquisitions. The market value of these investments was approximately $262 million and $215 million, respectively, as of December 31, 2001, and 2000. A hypothetical 20 percent decrease in the share prices of these investments would decrease the fair value by approximately $52 million. (A 20 percent decrease is a reasonably possible near-term change in share prices.)

Non-Exchange-Traded Equity Secruities

Abbott maintains a portfolio of equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately $81 million and $75 million, respectively, as of December 31, 2001, and 2000. Abbott monitors these investments for other than temporary declines in estimated value, and charges impairment losses to income when an other than temporary decline in estimated value occurs.

Foreign Currency Sensitive Financial Instruments

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2001, and 2000, Abbott held $3.1 billion and $1.3 billion, respectively, of such contracts, which all mature in the next calendar year.

In addition, certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in the foreign exchange rates and are marked-to-market with the resulting gains or losses reflected in accumulated other comprehensive (income) loss. Gains or losses will be included in cost of sales at the time the products are

sold, generally through the end of 2002. At December 31, 2001, Abbott held $571 million of such contracts, which all mature in the next calendar year.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2001, and 2000:

	2001			2000		
	Contract Amount	Average Exchange Rate	Fair and Carrying Value	Contract Amount	Average Exchange Rate	Fair and Carrying Value
	(dollars in millions)					
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$ 2,381	0.91	$ (21.9)	$ 318	0.87	$ 1.6
British Pound	752	0.71	(4.5)	269	0.67	13.0
Japanese Yen	208	120.4	2.8	212	106.5	5.3
All other currencies	352	N/A	0.9	472	N/A	1.4
Total	$ 3,693		$ (22.7)	$ 1,271		$ 21.3

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings and Comprehensive Income
(dollars and shares in thousands except per share data)

	Year Ended December 31		
	2001	2000	1999
Net Sales	$ 16,285,246	13,745,916	$ 13,177,625
Cost of products sold	7,748,382	6,238,646	5,977,183
Research and development	1,577,552	1,351,024	1,193,963
Acquired in-process research and development	1,330,400	—	—
Selling, general and administrative	3,734,880	2,894,178	2,857,104
Gain on sale of agricultural business	—	(138,507)	—
Total Operating Cost and Expenses	14,391,214	10,345,341	10,028,250
Operating Earnings	1,894,032	3,400,575	3,149,375
Net interest expense	234,759	23,221	81,765
Income from TAP Pharmaceutical Products Inc. joint venture	(333,767)	(481,340)	(390,152)
Net foreign exchange (gain) loss	31,351	7,287	26,238
Other (income) expense, net	78,541	35,000	34,636
Earnings Before Taxes	1,883,148	3,816,407	3,396,888
Taxes on earnings	332,758	1,030,430	951,129
Net Earnings	$ 1,550,390	$ 2,785,977	$ 2,445,759
Basic Earnings Per Common Share	$ 1.00	$ 1.80	$ 1.59
Diluted Earnings Per Common Share	$ 0.99	$ 1.78	$ 1.57
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,550,408	1,548,015	1,536,762
Dilutive Common Stock Options	15,555	17,564	20,893
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,565,963	1,565,579	1,557,655
Outstanding Common Stock Options Having No Dilutive Effect	768	1,038	1,807
Comprehensive Income, net of tax:			
Foreign currency translation adjustments	$ (5,029)	$ (198,951)	$ (171,231)
Unrealized gains (losses) on marketable equity securities	21,107	18,752	(6,377)
Net gains (losses) on derivative instruments designated as cash flow hedges	11,408	—	—
Reclassification adjustments for realized gains	(18,984)	(17,712)	—
Other comprehensive income (loss)	8,502	(197,911)	(177,608)
Net Earnings	1,550,390	2,785,977	2,445,759
Comprehensive Income	$ 1,558,892	$ 2,588,066	$ 2,268,151
Supplemental Comprehensive Income Information, net of tax:			
Cumulative foreign currency translation loss adjustments	$ 635,922	$ 630,893	$ 431,942
Cumulative unrealized (gains) on marketable equity securities	(29,804)	(27,681)	(26,641)
Cumulative (gains) losses on derivative instruments designated as cash flow hedges	(11,408)	—	—

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(dollars in thousands)

	Year Ended December 31		
	2001	2000	1999
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 1,550,390	$ 2,785,977	$ 2,445,759
Adjustments to reconcile net earnings to net cash from operating activities—			
Depreciation and amortization	1,168,018	827,431	828,006
Acquired in-process research and development	1,330,400	—	—

Investing and financing (gains) losses, net	159,936	69,914	93,723
Trade receivables	(279,167)	(260,790)	(176,347)
Inventories	(184,953)	(361,377)	(147,778)
Prepaid expenses and other assets	(962,005)	(397,714)	(521,265)
Trade accounts payable and other liabilities	732,482	621,078	299,048
Income taxes payable	51,747	(46,394)	213,936
Gain on sale of agricultural business	—	(138,507)	—
Net Cash From Operating Activities	3,566,848	3,099,618	3,035,082
Cash Flow From (Used in) Investing Activities:			
Acquisitions of the pharmaceutical business of BASF and of Vysis, Inc. in 2001, and of certain assets of Glaxo Wellcome Inc.'s U.S. anesthesia business in 1999, net of cash acquired	(7,424,356)	—	(217,000)
Proceeds from sale of agricultural business	—	205,000	—
Acquisitions of property, equipment and other businesses	(1,163,707)	(1,035,873)	(987,098)
Purchases of investment securities	(179,618)	(68,085)	(210,797)
Proceeds from sales of investment securities	309,161	235,839	169,356
Other	73,646	45,455	12,187
Net Cash Used in Investing Activities	(8,384,874)	(617,664)	(1,233,352)
Cash Flow From (Used in) Financing Activities:			
Proceeds from (repayments of) commercial paper, net	2,741,000	(670,000)	(864,000)
Proceeds from issuance (retirement) of long-term debt, net	3,000,000	—	—
Other borrowing transactions, net	1,540	(2,769)	6,286
Issuance (purchases) of common shares	(17,364)	(464,856)	329,490
Proceeds from stock options exercised	169,422	135,570	42,235
Dividends paid	(1,270,782)	(1,145,894)	(1,003,295)
Net Cash From (Used in) Financing Activities	4,623,816	(2,147,949)	(1,489,284)
Effect of exchange rate changes on cash and cash equivalents	(62,630)	(27,884)	(19,587)
Net (Decrease) Increase in Cash and Cash Equivalents	(256,840)	306,121	292,859
Cash and Cash Equivalents, Beginning of Year	914,218	608,097	315,238
Cash and Cash Equivalents, End of Year	$ 657,378	$ 914,218	$ 608,097
Supplemental Cash Flow Information:			
Income taxes paid	$ 984,079	$ 1,085,083	$ 882,957
Interest paid	232,431	113,922	145,055

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2001	2000	1999
Assets			
Current Assets:			
Cash and cash equivalents	$ 657,378	$ 914,218	$ 608,097
Investment securities	56,162	242,500	115,199
Trade receivables, less allowances of — 2001: $195,585; 2000: $190,167; 1999: $238,956	2,812,727	2,179,451	2,055,839
Inventories —			
Finished products	1,154,329	903,973	772,478
Work in process	487,310	370,407	338,818
Materials	570,396	466,951	384,148
Total inventories	2,212,035	1,741,331	1,495,444
Prepaid income taxes	1,112,247	896,083	918,617
Other prepaid expenses and receivables	1,568,640	1,402,658	1,226,558
Total Current Assets	8,419,189	7,376,241	6,419,754
Investment Securities	647,214	637,979	954,778
Property and Equipment, at Cost:			
Land	332,268	245,850	202,858
Buildings	2,248,959	1,953,665	1,882,439
Equipment	8,097,044	7,597,553	7,339,578
Construction in progress	547,134	330,830	372,692
	11,225,405	10,127,898	9,797,567
Less: accumulated depreciation and amortization	5,673,858	5,310,987	5,027,508
Net Property and Equipment	5,551,547	4,816,911	4,770,059
Net Intangible Assets and Goodwill	7,294,320	1,555,260	1,574,851

Deferred Charges and Income Taxes, Investments in Joint Ventures and Other Assets	1,384,153	896,863	751,602
	$ 23,296,423	$ 15,283,254	$ 14,471,044

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2001	2000	1999
Liabilities and Shareholders' Investment			
Current Liabilities:			
Short-term borrowings and current portion of long-term debt	$ 2,953,335	$ 479,454	$ 896,271
Trade accounts payable	1,525,215	1,355,985	1,226,854
Salaries, wages and commissions	557,672	401,366	383,552
Other accrued liabilities	2,285,644	1,549,245	1,433,424
Dividends payable	326,552	293,800	263,000
Income taxes payable	278,399	217,690	313,610
Total Current Liabilities	7,926,817	4,297,540	4,516,711
Long-Term Debt	4,335,493	1,076,368	1,336,789
Other Liabilities and Deferrals	1,974,681	1,338,440	1,189,949
Shareholders' Investment:			
Preferred shares, one dollar par value			
Authorized — 1,000,000 shares, none issued	—	—	—
Common shares, without par value			
Authorized — 2,400,000,000 shares			
Issued at stated capital amount —			
Shares: 2001: 1,571,816,976;			
2000: 1,563,436,372; 1999: 1,564,670,440	2,643,443	2,218,234	1,939,673
Common shares held in treasury, at cost —			
Shares: 2001: 17,286,684; 2000: 17,502,239;			
1999: 17,650,834	(252,438)	(255,586)	(257,756)
Unearned compensation — restricted stock awards	(18,258)	(18,116)	(23,028)
Earnings employed in the business	7,281,395	7,229,586	6,174,007
Accumulated other comprehensive loss	(594,710)	(603,212)	(405,301)
Total Shareholders' Investment	9,059,432	8,570,906	7,427,595
	$ 23,296,423	$ 15,283,254	$ 14,471,044

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(dollars in thousands except per share data)

	Year Ended December 31		
	2001	2000	1999
Common Shares:			
Beginning of Year			
Shares: 2001: 1,563,436,372; 2000: 1,564,670,440; 1999: 1,548,382,682	$ 2,218,234	$ 1,939,673	$ 1,310,500
Issued shares: 1999: 9,000,000	—	—	329,490
Issued under incentive stock programs			
Shares: 2001: 12,571,697; 2000: 11,424,234; 1999: 11,476,536	363,492	245,668	240,897
Tax benefit from option shares and vesting of restricted stock awards (no share effect)	70,223	50,219	62,458
Retired — Shares: 2001: 4,191,093; 2000: 12,658,302; 1999: 4,188,778	(8,506)	(17,326)	(3,672)
End of Year			
Shares: 2001: 1,571,816,976; 2000: 1,563,436,372; 1999: 1,564,670,440	$ 2,643,443	$ 2,218,234	$ 1,939,673
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2001: 17,502,239; 2000: 17,650,834; 1999: 17,710,838	$ (255,586)	$ (257,756)	$ (46,735)

Private transaction in 1999			
Shares purchased: 5,099,720;			
Shares issued: 4,985,475	—	—	(211,822)
Issued under incentive stock programs			
Shares: 2001: 215,555; 2000: 148,595; 1999: 174,249	3,148	2,170	801
End of Year			
Shares: 2001: 17,286,684; 2000: 17,502,239; 1999: 17,650,834	$ (252,438)	$ (255,586)	$ (257,756)
Unearned Compensation — Restricted Stock Awards:			
Beginning of Year	$ (18,116)	$ (23,028)	$ (25,796)
Issued at market value —			
Shares: 2001: 198,000; 2000: 133,000; 1999: 162,500	(10,222)	(5,479)	(7,186)
Lapses — Shares: 2001: 52,000; 2000: 8,500	2,126	320	—
Amortization	7,954	10,071	9,954
End of Year	$ (18,258)	$ (18,116)	$ (23,028)
Earnings Employed in the Business:			
Beginning of Year	$ 7,229,586	$ 6,174,007	$ 4,743,315
Net earnings	1,550,390	2,785,977	2,445,759
Cash dividends declared on common shares (per share — 2001: $.84; 2000: $.76; 1999: $.68)	(1,303,534)	(1,176,694)	(1,038,895)
Cost of common shares retired in excess of stated capital amount	(202,926)	(557,628)	(194,990)
Cost of treasury shares issued below market value	7,879	3,924	218,818
End of Year	$ 7,281,395	$ 7,229,586	$ 6,174,007
Accumulated Other Comprehensive Loss:			
Beginning of Year	$ (603,212)	$ (405,301)	$ (227,693)
Other comprehensive income (loss)	8,502	(197,911)	(177,608)
End of Year	$ (594,710)	$ (603,212)	$ (405,301)

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

NATURE OF BUSINESS AND CONCENTRATION OF RISK — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products and services. Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations.

Abbott does not have material exposures to off-balance sheet arrangements, including special purpose entities, or activities that include non-exchange-traded contracts accounted for at fair value.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The accounts of foreign subsidiaries are consolidated as of November 30, due to the time needed to consolidate these subsidiaries. No events occurred related to these foreign subsidiaries in December 2001, 2000 and 1999 that materially affected the financial position or results of operations.

USE OF ESTIMATES — The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for litigation, income taxes, sales rebates, and inventory and accounts receivable exposures.

CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES — Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less. Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in accumulated other comprehensive income (loss). Impairment losses are charged to income for other than temporary declines in fair value of equity securities. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as a component of interest income.

INVENTORIES — Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs.

LONG-LIVED ASSETS — Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The following table shows estimated useful lives of property and equipment:

Classification	Estimated Useful Lives
Buildings	10 to 50 years (average 29 years)
Equipment	3 to 20 years (average 11 years)

Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized on a straight-line basis over 10 to 40 years (average 24 years). Accumulated amortization as of December 31, 2001, 2000, and 1999, was $728 million, $334 million, and $228 million, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable based on projected undiscounted cash flows associated with the affected assets. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. Fair value is determined based on market quotes, if

available, or is based on valuation techniques.

PRODUCT LIABILITY — Provisions are made for the portions of probable losses that are not covered by product liability insurance.

TRANSLATION ADJUSTMENTS — For foreign operations in highly inflationary economies, translation gains and losses are included in net foreign exchange (gain) loss. For remaining foreign operations, translation adjustments are included as a component of accumulated other comprehensive income (loss).

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title to customers. Provisions for discounts and rebates to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales of product rights are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

RESEARCH AND DEVELOPMENT — Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved.

Note 2 — Supplemental Financial Information *(dollars in thousands)*

	2001	2000	1999
Other prepaid expenses and receivables			
Receivables purchased from TAP Pharmaceutical Products Inc. under a service agreement	$ 540,914	$ 514,200	$ 431,801
All other	1,027,726	888,458	794,757
Total	$ 1,568,640	$ 1,402,658	$ 1,226,558
Other liabilities and deferrals			
Accrued post-employment costs	$ 692,003	$ 597,910	$ 537,309
All other	1,282,678	740,530	652,640
Total	$ 1,974,681	$ 1,338,440	$ 1,189,949
Net interest expense			
Interest expense	$ 307,336	$ 113,938	$ 144,689
Interest income	(72,577)	(90,717)	(62,924)
Total	$ 234,759	$ 23,221	$ 81,765

Note 3 — Taxes on Earnings *(dollars in thousands)*

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $4,681,735 at December 31, 2001. Deferred income taxes not provided on these earnings would be approximately $1,019,447.

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

	2001	2000	1999
Earnings Before Taxes			
Domestic	$ 442,150	$ 2,773,244	$ 2,505,060
Foreign	1,440,998	1,043,163	891,828
Total	$ 1,883,148	$ 3,816,407	$ 3,396,888

	2001	2000	1999
Taxes on Earnings			
Current:			
U.S. Federal and Possessions	$ 633,684	$ 825,608	$ 785,709
State	74,087	67,898	70,376
Foreign	388,950	194,944	235,459
Total current	1,096,721	1,088,450	1,091,544
Deferred:			
Domestic	(741,213)	(70,383)	(112,398)
Foreign	(21,563)	11,812	(30,215)
Enacted tax rate changes	(1,187)	551	2,198
Total deferred	(763,963)	(58,020)	(140,415)
Total	$ 332,758	$ 1,030,430	$ 951,129

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

	2001	2000	1999

Statutory tax rate	35.0%	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico, the Dominican Republic, Ireland, the Netherlands, and Costa Rica	(14.6)	(5.0)	(5.2)
State taxes, net of federal benefit	0.8	1.2	1.4
Domestic dividend exclusion	(5.0)	(3.5)	(3.2)
All other, net	1.5	(0.7)	—
Effective tax rate	17.7%	27.0%	28.0%

As of December 31, 2001, 2000, and 1999, total deferred tax assets were $2,412,064, $1,458,707, and $1,364,867, respectively, and total deferred tax liabilities were $913,614, $463,406, and $441,404,

respectively. Valuation allowances for deferred tax assets were not significant. The temporary differences that give rise to deferred tax assets and liabilities were as follows:

	2001	2000	1999
Compensation and employee benefits	$ 434,549	$ 344,641	$ 293,893
Trade receivable reserves	219,387	155,178	178,157
Inventory reserves	140,762	124,759	150,100
Deferred intercompany profit	254,276	204,052	184,687
State income taxes	100,265	53,610	46,964
Depreciation	(168,499)	(204,595)	(174,396)
Other, primarily acquired in-process research and development and other accruals and reserves not currently deductible, and the excess of book basis over tax basis of intangible assets	504,649	277,033	215,433
Total	$ 1,485,389	$ 954,678	$ 894,838

Note 4 — Investment Securities *(dollars in thousands)*

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

	2001	2000	1999
Current Investment Securities			
Time deposits and certificates of deposit	$ 20,000	$ 232,500	$ 95,000
Other, primarily debt obligations issued or guaranteed by various governments or government agencies	36,162	10,000	20,199
Total	$ 56,162	$ 242,500	$ 115,199

	2001	2000	1999
Long-Term Investment Securities			
Time deposits and certificates of deposit, maturing through 2003	$ 100,000	$ 120,000	$ 391,500
Corporate debt obligations, maturing through 2003	70,000	70,000	73,037
Debt obligations issued or guaranteed by various governments or government agencies, maturing through 2023	134,099	158,301	183,184
Equity securities	343,115	289,678	307,057
Total	$ 647,214	$ 637,979	$ 954,778

Of the investment securities listed above, $323,974, $590,678, and $742,610 were held at December 31, 2001, 2000, and 1999, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring in 2015 and 2020. In addition, these subsidiaries held cash equivalents of $0, $85,925, and $11,900 at December 31, 2001, 2000, and 1999, respectively.

Note 5 — Post-Employment Benefits *(dollars in thousands)*

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

Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

	Defined Benefit Plans			Medical and Dental Plans		
	2001	2000	1999	2001	2000	1999
Projected benefit obligations, January 1	$ 2,572,226	$ 2,259,741	$ 2,348,620	$ 741,372	$ 635,700	$ 714,946
Service cost — benefits earned during the year	144,982	118,863	131,670	33,133	30,034	31,933
Interest cost on projected benefit obligations	199,067	171,790	157,004	59,954	50,216	44,297
Losses (gains), primarily changes in discount and medical trend rates, plan design changes, and differences between actual and estimated health care costs	127,509	162,753	(283,135)	165,251	65,375	(124,269)
Benefits paid	(132,137)	(109,589)	(97,399)	(43,599)	(39,953)	(31,207)
Acquisition of the pharmaceutical business of BASF	331,003	—	—	7,300	—	—
Other, primarily translation	(2,127)	(31,332)	2,981	—	—	—
Projected benefit obligations, December 31	$ 3,240,523	$ 2,572,226	$ 2,259,741	$ 963,411	$ 741,372	$ 635,700
Plans' assets at fair value, January 1,	$ 2,828,801	$ 3,100,222	$ 2,550,971	$ 35,335	$ 77,749	$ 82,528

principally listed securities						
Actual return on plans' assets	(198,581)	(154,748)	608,805	4,646	(6,097)	23,407
Company contributions	44,770	23,639	24,623	3,911	3,636	3,021
Benefits paid	(132,137)	(109,589)	(97,399)	(43,599)	(39,953)	(31,207)
Acquisition of the pharmaceutical business of BASF	123,755	—	—	—	—	—
Other, primarily translation	(22,904)	(30,723)	13,222	—	—	—
Plans' assets at fair value, December 31	$ 2,643,704	$ 2,828,801	$ 3,100,222	$ 293	$ 35,335	$ 77,749
Projected benefit obligations less than (greater than) plans' assets, December 31	$ (596,819)	$ 256,575	$ 840,481	$ (963,118)	$ (706,037)	$ (557,951)
Unrecognized actuarial (gains) losses, net	289,405	(287,242)	(837,234)	287,176	136,188	63,324
Unrecognized prior service cost	21,518	834	3,210	(58,079)	(64,390)	(68,682)
Unrecognized transition obligation	(1,062)	(1,808)	(10,486)	—	—	—
Accrued benefit cost	$ (286,958)	$ (31,641)	$ (4,029)	$ (734,021)	$ (634,239)	$ (563,309)
Service cost — benefits earned during the year	$ 144,982	$ 118,863	$ 131,670	$ 33,133	$ 30,034	$ 31,933
Interest cost on projected benefit obligations	199,067	171,790	157,004	59,954	50,216	44,297
Expected return on plans' assets	(261,753)	(233,056)	(200,260)	(1,940)	(6,176)	(6,813)
Net amortization	(213)	(3,994)	(3,082)	2,589	(1,573)	1,396
Net cost	$ 82,083	$ 53,603	$ 85,332	$ 93,736	$ 72,501	$ 70,813

The projected benefit obligations for certain foreign defined benefit plans that do not have plan assets were $276,000, $65,000, and $64,000 at December 31, 2001, 2000, and 1999, respectively.

Assumptions used for major benefit plans as of December 31 include:

	2001	2000	1999
Discount rate for determining obligations and interest cost	7 1/4%	7 1/2%	7 3/4%
Expected aggregate average long-term change in compensation	5%	5%	5%
Expected long-term rate of return on assets	9 1/2%	9 1/2%	9 1/2%

A seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. This rate is assumed to decrease gradually to five percent in 2006.

A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2001, by $170,941/$(103,550), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $19,334/$(12,046).

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $97,000 in 2001, $86,000 in 2000, and $76,000 in 1999.

Abbott provides certain other post-employment benefits, primarily salary continuation plans, to qualifying domestic employees, and accrues for the related cost over the service lives of the employees.

Note 6 — Financial Instruments and Derivatives

On January 1, 2001, Abbott adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." On January 1, 2001, all derivative instruments were recognized as either assets or liabilities at fair value, resulting in a transition credit to income of approximately $2.0 million, which is included in net foreign exchange (gain) loss in the Condensed Consolidated Statement of Earnings.

In 2001, certain Abbott foreign subsidiaries entered into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, totaling $571 million at December 31, 2001, are designated as cash flow hedges of the variability of the cash flows due to changes in the foreign exchange rates. In 2001, Abbott recorded the contracts at fair value, resulting in an $11.4 million credit to accumulated other comprehensive (income) loss. No hedge ineffectiveness was recorded in income in 2001. Accumulated gains and losses will be included in cost of products sold at the time the products are sold, generally through the end of 2002.

In 2001, Abbott entered into interest rate hedge contracts totaling $2.450 billion to manage its exposure to changes in the fair value of $2.450 billion of fixed-rate debt due in July 2004 and 2006. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. At December 31, 2001, Abbott recorded the contracts at fair value and adjusted the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2001.

Abbott has designated a Japanese yen denominated liability as a hedge of the foreign currency exposure of Abbott's net investment in certain Japanese operations whose functional currency is the Japanese yen. Accordingly, changes in this liability due to fluctuations in foreign exchange rates are charged or credited to accumulated other comprehensive (income) loss. During 2001, approximately $669,000 was credited to accumulated other comprehensive (income) loss.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for intercompany loans and trade accounts payable where the receivable or payable is denominated in a

currency other than the functional currency of the entity. Such contracts are also used for foreign currency denominated third-party trade payables and receivables. For intercompany loans, the contracts require Abbott to sell foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. These contracts are recorded at fair value, with the resulting gains or losses reflected in income as net foreign exchange (gain) loss. At December 31, 2001, 2000, and 1999, Abbott held $3.1 billion, $1.3 billion, and $1.4 billion, respectively, of such foreign currency exchange contracts.

The gross unrealized holding gains (losses) on current and long-term held-to-maturity investment securities totaled $2.0 million and $(17.2) million, respectively, at December 31, 2001; $1.3 million and $(21.4) million, respectively, at December 31, 2000; and $1.1 million and $(29.9) million, respectively, at December 31, 1999. The gross unrealized holding gains (losses) on

available-for-sale equity securities totaled $57.0 million and $(1.8) million, respectively, at December 31, 2001; $80.3 million and $(34.0) million, respectively, at December 31, 2000; and $49.3 million and $(4.7) million, respectively, at December 31, 1999.

The carrying values and fair values of certain financial instruments as of December 31 are shown in the table below. The carrying values of all other financial instruments approximate their estimated fair values. Fair value is the quoted market price of the instrument held or the quoted market price of a similar instrument. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2001		2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(dollars in millions)					
Investment Securities:						
Current	$ 56.2	$ 56.2	$ 242.5	$ 238.0	$ 115.2	$ 114.4
Long-Term:						
Held-to-Maturity Debt Securities	304.1	288.9	348.3	332.7	647.7	619.7
Available-for-Sale Equity Securities	343.1	343.1	289.7	289.7	307.1	307.1
Total Long-Term Debt	(4,337.9)	(4,453.2)	(1,326.5)	(1,328.6)	(1,337.0)	(1,280.2)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(38.7)	(38.7)	(8.1)	(8.1)	(23.9)	(23.9)
Receivable position	16.0	16.0	29.4	29.4	35.8	35.8
Interest Rate Hedge Contracts	21.8	21.8	—	—	—	—

Note 7 — Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, replacement stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance units and foreign qualified benefits. Stock options, replacement stock options, limited stock appreciation rights, restricted stock awards and foreign qualified benefits have been granted and are currently outstanding under this program and prior programs. The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options granted in 2001, 2000 and 1999 vest equally over three years except for replacement options, which generally vest in six months. Upon a change in control of Abbott, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards are deemed satisfied.

At January 1, 2002, 40.9 million shares were reserved for future grants under the 1996 Program. Subsequent to year end, the Board of Directors granted approximately 21.7 million stock options from this reserve.

	Options Outstanding		Exercisable Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
January 1, 1999	64,605,029	$ 25.20		
Granted	18,682,834	44.68		
Exercised	(11,428,496)	20.74		
Lapsed	(837,026)	32.16		
December 31, 1999	71,022,341	30.96	42,410,885	$ 25.42
Granted	18,922,849	36.03		
Exercised	(11,390,803)	21.21		
Lapsed	(1,460,206)	33.99		
December 31, 2000	77,094,181	33.59	45,315,980	30.12
Granted	23,118,789	48.64		
Exercised	(12,571,690)	28.30		
Lapsed	(1,369,321)	42.58		
December 31, 2001	86,271,959	$ 38.25	50,383,606	$ 34.13

	Options Outstanding at December 31, 2001			Exercisable Options at December 31, 2001	
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$12 to $35	34,465,386	5.6	$ 27.64	23,963,033	$ 24.63
36 to 47	26,969,453	6.9	41.92	21,743,161	41.18
48 to 57	24,837,120	9.0	48.99	4,677,412	50.01
$12 to $57	86,271,959	7.0	$ 38.25	50,383,606	$ 34.13

Abbott measures compensation cost using the intrinsic value-based method of accounting. Had compensation cost been determined using the fair market value-based accounting method, pro forma net income and earnings per share (EPS) amounts would have been as follows:

	2001	2000	1999
Pro Forma Net Income (*in billions*)	$ 1.4	$ 2.6	$ 2.3
Pro Forma Basic EPS	0.89	1.71	1.51
Pro Forma Diluted EPS	0.88	1.69	1.49

The weighted average fair value of an option granted in 2001, 2000 and 1999 was $13.31, $10.60 and $12.26, respectively. For purposes of fair market value disclosures, the fair market value of an option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

	2001	2000	1999
Risk-Free Interest Rate	4.9%	6.8%	5.1%
Average Life of Options (years)	5.4	5.4	5.3
Volatility	27.0%	26.0%	24.0%
Dividend Yield	2.0%	2.0%	1.4%

Note 8 — Debt and Lines of Credit (*dollars in thousands*)

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

	2001	2000	1999
6.5% debentures, due 2001	$ —	$ —	$ 250,000
5.6% debentures, due 2003	200,000	200,000	200,000
5.125% debentures, due 2004	1,650,000	—	—
6.8% debentures, due 2005	150,000	150,000	150,000
5.625% debentures, due 2006	1,600,000	—	—
6.4% debentures, due 2006	250,000	250,000	250,000
6.0% debentures, due 2008	200,000	200,000	200,000
5.4% debentures, due 2008	200,000	200,000	200,000
Other	85,493	76,368	86,789
Total, net of current maturities	$ 4,335,493	$ 1,076,368	$ 1,336,789

Principal payments required on long-term debt outstanding at December 31, 2001, are $2,379 in 2002, $202,157 in 2003, $1,672,200 in 2004, $151,243 in 2005, and $1,852,737 in 2006.

At December 31, 2001, Abbott had $3,000,000 of unused domestic lines of credit, which support domestic commercial paper borrowing arrangements. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's weighted average interest rate on short-term borrowings was 1.9%, 5.9%, and 5.7% at December 31, 2001, 2000, and 1999, respectively.

Note 9 — Equity Method Investments (*dollars in millions*)

Abbott's 50 percent owned joint venture, TAP Pharmaceutical Products Inc. (TAP), is accounted for under the equity method of accounting. Abbott's share of TAP's income was $334, $481, and $390 in 2001, 2000, and 1999, respectively. The investment in TAP was $392, $491, and $521 at December 31, 2001, 2000, and 1999, respectively. Dividends received from TAP were $433, $511, and $237 in 2001, 2000, and 1999, respectively. In addition, Abbott performs certain administrative, selling and manufacturing services for

TAP at negotiated rates that approximate fair market value for the services performed. Summarized financial information for TAP is as follows:

	Year Ended December 31		
	2001	2000	1999
Net sales	$ 3,787.2	$ 3,538.9	$ 2,927.5
Cost of products sold	938.6	881.5	686.4
Income before income taxes	1,204.1	1,503.7	1,240.4
Net income	667.5	962.7	780.3

	December 31		
	2001	2000	1999
Current assets	$ 1,223.1	$ 1,675.8	$ 1,595.4
Total assets	1,588.1	2,019.4	1,850.2
Current liabilities	813.9	1,022.6	759.1

Undistributed earnings of investments accounted for under the equity method amounted to $368 as of December 31, 2001.

Note 10 — Quarterly Results (Unaudited) (*dollars in millions except per share data*)

	2001	2000	1999
First Quarter			
Net Sales	$ 3,559.9	$ 3,353.2	$ 3,313.3
Gross Profit	1,916.6	1,856.7	1,860.3
Net Earnings (Loss) (a)	(223.6)	693.0	668.7
Basic Earnings (Loss) Per Common Share	(.14)	.45	.44
Diluted Earnings (Loss) Per Common Share	(.14)	.44	.43
Market Price Per Share-High	50.55	36.50	51.44
Market Price Per Share-Low	42.00	29.38	43.00
Second Quarter			
Net Sales	$ 4,099.1	$ 3,370.2	$ 3,259.2
Gross Profit	2,116.1	1,839.9	1,844.0
Net Earnings	529.0	685.2	645.0
Basic Earnings Per Common Share	.34	.44	.42
Diluted Earnings Per Common Share	.34	.44	.41
Market Price Per Share-High	54.00	44.69	53.31
Market Price Per Share-Low	43.43	35.38	41.94

Third Quarter			
Net Sales	$ 4,181.2	$ 3,317.9	$ 3,137.2
Gross Profit	2,140.3	1,802.4	1,547.0
Net Earnings	631.4	654.4	468.1
Basic Earnings Per Common Share	.41	.42	.30
Diluted Earnings Per Common Share	.40	.42	.30
Market Price Per Share-High	53.82	49.00	45.88
Market Price Per Share-Low	46.35	39.31	36.31
Fourth Quarter			
Net Sales	$ 4,445.1	$ 3,704.6	$ 3,467.9
Gross Profit	2,364.0	2,008.3	1,949.1
Net Earnings	613.6	753.4	664.0
Basic Earnings Per Common Share	.39	.49	.43
Diluted Earnings Per Common Share	.39	.48	.43
Market Price Per Share-High	57.17	56.25	42.88
Market Price Per Share-Low	50.40	45.44	33.00

(a) First-quarter 2001 included a pretax charge for acquired in-process research and development of $1,015 related to the acquisition of the pharmaceutical business of BASF.

Note 11 — Stock Purchase Rights

Common shares outstanding are subject to stock purchase rights. The rights, which are exercisable only under certain conditions, entitle the holder to purchase common shares at prices specified in the Rights Agreement. The rights were not exercisable at December 31, 2001.

Note 12 — Business Combinations and Divestiture

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. This acquisition was

financed primarily with short- and long-term borrowings. The acquisition is accounted for under the purchase method of accounting. The allocation of the acquisition cost is as follows *(in billions of dollars)*:

Acquired intangible assets, primarily product rights for currently marketed products	$ 3.5
Goodwill	2.4
Acquired in-process research and development	1.2
Deferred income taxes resulting primarily from nondeductible intangibles	(0.4)
Acquired net tangible assets	0.5
Total allocation of acquisition cost	$ 7.2

The acquisition cost has been allocated to intangible assets, goodwill, acquired in-process research and development, and net tangible assets based on an independent appraisal of fair values as of the date of acquisition. Product rights for currently marketed products will be amortized on a straight-line basis over 10 to 16 years (average 13 years), and goodwill was amortized in 2001 on a straight-line basis over 20 years. Acquired in-process research and development was charged to expense in 2001. The net tangible assets acquired consist primarily of property and equipment of approximately $630 million, trade accounts receivable of approximately $402 million, and inventories of approximately $275 million, net of assumed liabilities, primarily trade accounts payable and other liabilities.

Prior to the date of acquisition, Abbott began to plan for the integration and restructuring of the business. In 2001, Abbott formally approved several restructuring plans and is continuing to assess and formulate further restructuring plans for specific business activities. Certain costs of implementing formally approved plans have been included in the reported amount of goodwill above. Abbott expects that additional restructuring plans will be finalized and formally approved, which will increase the amount of reported goodwill above. In addition, integration of the acquired operations will result in charges that will be recorded against earnings in the periods in which the integration plans are finalized.

The following unaudited pro forma financial information reflects the consolidated results of operations of Abbott as if the acquisition of the pharmaceutical business of BASF had taken place on January 1, 2000. The pro forma information includes primarily adjustments for acquired in-process research and development, amortization of product rights for currently marketed products, interest expense for estimated acquisition debt, and amortization of goodwill. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transaction been effected on the assumed date.

	2001 Pro Forma	2000 Pro Forma
	(in billions, except per share amounts)	
Net Sales	$ 16.7	$ 16.1
Net income	2.3	2.5
Diluted earnings per common share	1.46	1.62

In November 2001, Abbott acquired, for cash, all of the outstanding common stock of Vysis, Inc., a leading genomic disease management company. Of the cash acquisition cost of approximately $362 million, $162 million was allocated to developed technology, which will be amortized over 15 years, and $143 million was charged against earnings in 2001 for acquired in-process research and development. The remaining acquisition cost was allocated to net tangible assets and goodwill. Had this acquisition taken

place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.

In 2000, Abbott sold its agricultural products business to Sumitomo Chemical Co., Ltd., resulting in a $138 million gain.

Note 13 — Restructuring Plans (*in millions of dollars*)

In 2001, Abbott began implementing restructuring plans related to the operations of the acquired pharmaceutical business of BASF. In addition, Abbott announced in 2001 that it was closing one of its manufacturing operations and relocating production to other Abbott facilities. The following summarizes the restructuring activity:

	Employee-Related And Other	Asset Impairments	Total

Restructuring charges	$ 195.5	$ 11.5	$ 207.0
Payments and other activity	(106.7)	(11.5)	(118.2)
Accrued balance at December 31, 2001	$ 88.8	$ —	$ 88.8

Of the $207.0 total restructuring charges, $155.5 has been recorded as goodwill associated with the acquisition of the pharmaceutical business of BASF. Of the amount expensed, approximately $35.8 is classified as cost of products sold, $13.3 as selling, general and administrative, and $2.4 as research and development. Employee-related costs are primarily severance pay, relocation of former BASF employees and outplacement services. Approved restructuring plans cover 2,393 employees, of which approximately 1,200 were severed by year end. Employee groups covered under the restructuring plans include manufacturing, research and development, and sales and administrative-related functions.

Note 14 — Segment and Geographic Area 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 Abbott's pharmaceutical, hospital and nutritional products. Products sold by International are manufactured by domestic segments and by international manufacturing locations.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a

measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are sold to segments at predetermined rates which approximate cost. Remaining costs, if any, are not allocated to revenue segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

	Net Sales to External Customers			Operating Earnings			Depreciation and Amortization			Additions to Long-Term Assets			Total Assets		
	2001	2000	1999	2001	2000	1999	2001	2000	1999	2001	2000	1999	2001	2000	1999
Pharmaceutical (a)	$ 3,759	$ 2,580	$ 2,398	$ 1,409	$ 1,013	$ 1,238	$ 34	$ 43	$ 46	$ 23	$ 145	$ 177	$ 2,014	$ 1,719	$1,528
Diagnostics (b)	2,929	2,924	3,010	357	331	561	182	200	215	249	292	305	2,736	2,626	2,593
Hospital	2,778	2,507	2,249	738	660	523	107	111	115	164	183	161	1,934	1,702	1,567
Ross	2,088	2,035	1,957	752	720	634	67	65	71	70	47	42	889	899	870
International (a)(b)	4,418	3,307	3,204	949	782	675	111	86	104	255	150	180	3,632	2,576	2,485
Total Reportable Segments	15,972	13,353	12,818	$ 4,205	$ 3,506	$ 3,631	$ 501	$ 505	$ 551	$ 761	$ 817	$ 865	$ 11,205	$ 9,522	$9,043
Other	313	393	360												
Net Sales	$ 16,285	$ 13,746	$ 13,178												

(a) Net sales and operating earnings were favorably impacted by the acquisition of the pharmaceutical business of BASF in 2001.

(b) Net sales and operating earnings were unfavorably affected by the relatively stronger U.S. dollar in each year presented.

	2001	2000	1999
Total Segment Operating Earnings	$ 4,205	$ 3,506	$ 3,631
Corporate functions (c)	261	147	118
Benefit plans costs	101	46	109
Non-reportable segments	9	(12)	(32)
Gain on sale of business	—	(139)	—
Net interest expense	235	23	82
Acquired in-process research and development	1,330	—	—
Income from TAP Pharmaceutical Products Inc.	(334)	(481)	(390)
Net foreign exchange (gain) loss	31	7	26
Other expenses, net(d)	689	99	321
Consolidated Earnings Before Taxes	$ 1,883	$ 3,816	$ 3,397
Total Segment Assets	$ 11,205	$ 9,522	$ 9,043
Cash and investments	1,361	1,795	1,678
Investment in TAP Pharmaceutical Products Inc.	392	491	521
Prepaid income taxes	1,112	896	919
Non-reportable segments	645	440	391
All other, net(e)	8,581	2,139	1,919
Total Assets	$ 23,296	$ 15,283	$ 14,471

(c) 2001 includes certain one-time charges related to the acquisition of the pharmaceutical business of BASF.

(d) 2001 includes amortization and restructuring charges relating to the acquisition of the pharmaceutical business of BASF.

(e) 2001 includes intangible assets related to the acquisitions of the pharmaceutical business of BASF and of Vysis, Inc.

	Net Sales to External Customers (f)			Long-Term Assets		
	2001	2000	1999	2001	2000	1999
United States	$ 10,249	$ 8,762	$ 8,291	$ 8,308	$ 6,689	$ 6,820

Japan	748	708	664	128	143	164
Germany (g)	644	411	452	4,185	160	164
Canada	468	408	374	50	49	49
The Netherlands	349	340	309	97	71	62
Italy	496	308	335	152	95	97
All Other Countries	3,331	2,809	2,753	1,957	700	695
Consolidated	$ 16,285	$ 13,746	$ 13,178	$ 14,877	$ 7,907	$ 8,051

(f) Sales by country are based on the country that sold the product or service.

(g) 2001 includes certain intangible assets related to the acquisition of the pharmaceutical business of BASF.

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

	2001	2000	1999
Anti-Infectives	$ 1,258	$ 1,370	$ 1,431
Adult Nutritionals	1,489	1,426	1,357

Note 15 — 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 and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, and injunctive and other relief. Abbott has filed 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 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 16 — 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*, primarily in the early to mid- 1990s. In 2001, Abbott's income from the TAP joint venture was reduced by a charge of $274 million relating to TAP's settlement of 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, 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 17 — 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 in the fourth quarter of 2001 and the first quarter of 2002. If the FDA concludes that the operations are not in conformance with the QSR, Abbott may be subject to additional costs.

Abbott Laboratories and Subsidiaries

Report of Independent Public Accountants

To the Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheet of Abbott Laboratories (an Illinois corporation) and Subsidiaries as of December 31, 2001, 2000, and 1999, and the related consolidated statement of earnings and comprehensive income, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of Abbott's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbott Laboratories and Subsidiaries as of December 31, 2001, 2000, and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Chicago, Illinois
January 15, 2002

Arthur Andersen LLP

Management Report on Financial Statements

Management has prepared, and is responsible for, Abbott's consolidated financial statements and related notes. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with the consolidated financial statements.

Abbott maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. Abbott also maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

Abbott's consolidated financial statements have been audited by independent public accountants who have expressed their opinion with respect to the fairness of these statements.

Miles D. White
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Thomas C. Freyman
SENIOR VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Greg W. Linder
VICE PRESIDENT AND CONTROLLER

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference are "Committees of the Board of Directors" and "Information Concerning Nominees for Directors" to be included in the 2002 Abbott Laboratories Proxy Statement. The 2002 Proxy Statement will be filed on or about March 12, 2002. Also incorporated herein by reference is the text found under the caption, "Executive Officers of The Registrant" on pages 13 through 21 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2002 Proxy Statement under the heading "Executive Compensation," other than the Report of the Compensation Committee and the Performance Graph, is incorporated herein by reference. The 2002 Proxy Statement will be filed on or about March 12, 2002.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the text to be included under the caption "Information Concerning Security Ownership" and the material under the heading "Security Ownership of Executive Officers and Directors" in the 2002 Proxy Statement. The 2002 Proxy Statement will be filed on or about March 12, 2002.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) *Documents filed as part of this Form 10-K.*

1. *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 32 hereof, for a list of financial statements.

2. *Financial Statement Schedules:* The required financial statement schedules are found on the pages indicated below. These schedules should be read in conjunction with the Consolidated Financial Statements:

3. *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is incorporated herein by reference to the Exhibit Index on pages 61, 62 and 63 of this Form 10-K.

(b) *Reports on Form 8-K during the quarter ended December 31, 2001:*

No reports on Form 8-K were filed during the quarter ended December 31, 2001.

(c) *Exhibits filed (see Exhibit Index on pages 61, 62 and 63).*

(d) *Financial Statement Schedules filed (page 58).*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Abbott Laboratories has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABBOTT LABORATORIES

By /s/ MILES D. WHITE

Miles D. White
Chairman of the Board and
Chief Executive Officer

Date: February 15, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Abbott Laboratories on February 15, 2002 in the capacities indicated below.

/s/ MILES D. WHITE

Miles D. White
Chairman of the Board, Chief Executive
Officer and Director of Abbott Laboratories
(principal executive officer)

/s/ DAVID A. JONES

David A. Jones
Director of Abbott Laboratories

/s/ RICHARD A. GONZALEZ

Richard A. Gonzalez
President and Chief Operating Officer,
Medical Products Group and
Director of Abbott Laboratories

/s/ DAVID A. L. OWEN

David A. L. Owen
Director of Abbott Laboratories

/s/ JEFFREY M. LEIDEN

Jeffrey M. Leiden
President and Chief Operating Officer,
Pharmaceutical Products Group and
Director of Abbott Laboratories

/s/ BOONE POWELL JR.

Boone Powell Jr.
Director of Abbott Laboratories

/s/ THOMAS C. FREYMAN

Thomas C. Freyman
Senior Vice President, Finance and
Chief Financial Officer
(principal financial officer)

/s/ A. BARRY RAND

A. Barry Rand
Director of Abbott Laboratories

/s/ GREG W. LINDER

Greg W. Linder
Vice President and Controller
(principal accounting officer)

/s/ W. ANN REYNOLDS

W. Ann Reynolds
Director of Abbott Laboratories

/s/ ROXANNE S. AUSTIN

Roxanne S. Austin
Director of Abbott Laboratories

/s/ ROY S. ROBERTS

Roy S. Roberts
Director of Abbott Laboratories

/s/ H. LAURENCE FULLER

H. Laurence Fuller
Director of Abbott Laboratories

/s/ WILLIAM D. SMITHBURG

William D. Smithburg
Director of Abbott Laboratories

/s/ JACK M. GREENBERG

Jack M. Greenberg
Director of Abbott Laboratories

/s/ JOHN R. WALTER

John R. Walter
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

Allowances for Doubtful Accounts and Sales Deductions	Balance at Beginning of Year	Provisions Charges to Income (a)	Amounts Charged Off Net of Recoveries	Balance at End of Year
2001	190,167	88,248	(82,830)	195,585
2000	238,956	(8,169)	(40,620)	190,167
1999	191,352	67,645	(20,041)	238,956

(a) Represents provisions related to allowances for doubtful accounts and net change in the allowances for sales deductions

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Abbott Laboratories:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Abbott Laboratories included in this Annual Report on Form 10-K, and have issued our report thereon dated January 15, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II is the responsibility of Abbott's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois
January 15, 2002

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports included in this Form 10-K into Abbott's previously filed Form S-8 Registration Statements 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program, 333-09071, 333-43381, 333-69547, 333-93253, 333-52768 and 333-74228 for the Abbott Laboratories 1996 Incentive Stock Program, 333-13091 and 333-74222 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust, 333-68268 for the Abbott Laboratories 401(k) Plan and Trust, 333-74220 for the Abbott Laboratories Deferred Compensation Plan, 333-76516 for the Abbott Laboratories Employee Share Ownership Plan, 333-75442 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan, and 33-26685, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257 and 333-74224 for the Abbott Laboratories Stock Retirement Plan and Trust; Abbott's previously filed post-effective Amendment No. 1 to Registration Statement on Form S-8 333-85867 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and into Abbott's previously filed S-3 Registration Statements 33-50253, 333-06155, 333-63481, 333-65601, 333-83647, and 333-55446.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 20, 2002

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
2001

10-K Exhibit Table Item No.	
2.1	*Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories recorded on December 14, 2000 filed as Exhibit 2.1 to the 2000 Abbott Laboratories Annual Report on Form 10-K.***
2.2	Amendment to Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories dated as of March 2, 2001.
2.3	Second Amendment to Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories recorded on May 18, 2001.
2.4	Agreement and Third Amendment to Purchase Agreement between BASF Aktiengesellschaft and Abbott Laboratories recorded on July 24, 2001.
3.1	* Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 1998 on Form 10-Q. (see also Exhibit 4.30, below.)
3.2	Corporate By-Laws, Abbott Laboratories.
4.1	*Abbott Laboratories Deferred Compensation Plan filed as Exhibit 4 to Registration Statement 333-74220.
4.2	*Abbott Laboratories Employee Share Ownership Plan filed as Exhibit 4 to Registration Statement 333-76516.
4.3	* Indenture dated as of October 1, 1993, between Abbott Laboratories and Harris Trust and Savings Bank, filed as Exhibit 4.1 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.4	* Form of 5.6% Note issued pursuant to the Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.5	* Form of Medium-Term Note, Series A (Fixed Rate) to be issued pursuant to the Indenture filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.6	* Form of Medium-Term Note, Series A (Floating Rate) to be issued pursuant to the Indenture filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.7	* Resolution of Abbott's Board of Directors filed as Exhibit 4.5 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.8	* Actions of the Authorized Officers with respect to Abbott's $200,000,000 5.6% Notes filed as Exhibit 4.6 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.9	* Actions of the Authorized Officers with respect to Abbott's Medium-Term Notes, Series A filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.10	* Officers' Certificate and Company Order with respect to Abbott's $200,000,000 5.6% Notes filed as Exhibit 4.8 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.

4.11	* Form of 6.8% Note issued pursuant to Indenture filed as Exhibit 4.9 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.12	* Actions of Authorized Officers with respect to Abbott's $150,000,000 6.8% Notes filed as Exhibit 4.10 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.13	* Officers' Certificate and Company Order with respect to Abbott's $150,000,000 6.8% Notes filed as Exhibit 4.11 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
4.14	* Resolution of Abbott's Board of Directors relating to the 6.4% Notes filed as Exhibit 4.12 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.15	* Form of $50,000,000 6.4% Note issued pursuant to Indenture filed as Exhibit 4.13 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.16	* Form of $200,000,000 6.4% Note issued pursuant to Indenture filed as Exhibit 4.14 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.17	* Actions of Authorized Officers with respect to Abbott's 6.4% Notes filed as Exhibit 4.15 to the 1996 Abbott Laboratories Annual Report on Form 10-K.

4.18	* Officers' Certificate and Company Order with respect to Abbott's 6.4% Notes filed as Exhibit 4.16 to the 1996 Abbott Laboratories Annual Report on Form 10-K.
4.19	* Form of $200,000,000 6.0% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.20	* Actions of Authorized Officers with respect to Abbott's 6.0% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.21	* Officers' Certificate and Company Order with respect to Abbott's 6.0% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.22	* Form of $200,000,000 5.40% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.
4.23	* Actions of Authorized Officers with respect to Abbott's 5.40% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.
4.24	* Officers' Certificate and Company Order with respect to Abbott's 5.40% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.
4.25	* Indenture dated as of February 9, 2001, between Abbott Laboratories and Bank One Trust Company, N.A., filed as Exhibit 4.1 to Registration Statement 333-55446.
4.26	* Form of 5.125% Note issued pursuant to Indenture filed as Exhibit 4.1 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.
4.27	* Form of 5.625% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.
4.28	* Actions of Authorized Officers with Respect to Abbott's 5.125% Notes and its 5.625% Notes filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.
4.29	* Officers' Certificate and Company Order with respect to Abbott's 5.125% Notes and its 5.625% Notes filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2001, on Form 10-Q.

4.30	* Certificate of Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K filed on November 15, 1999.
4.31	* Rights Agreement, dated as of November 11, 1999, between Abbott Laboratories and BankBoston, N.A., as Rights Agent, filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on November 15, 1999.
4.32	* Amendment No. 1 to Rights Agreement, dated as of December 7, 1999, between Abbott Laboratories and BankBoston, N.A., as Rights Agent, filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on December 20, 1999.
4.33	* Amendment No. 2 to Rights Agreement dated as of May 19, 2000 filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on May 19, 2000. Other debt instruments are omitted in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the Securities and Exchange Commission upon request.
10.1	* Supplemental Plan Abbott Laboratories Extended Disability Plan, filed as an exhibit (pages 50-51) to the 1992 Abbott Laboratories Annual Report on Form 10-K.**
10.2	* The Abbott Laboratories 1991 Incentive Stock Program filed as Exhibit 10.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 2001 on Form 10-Q.**
10.3	Abbott Laboratories 401(k) Supplemental Plan.**
10.4	Abbott Laboratories Supplemental Pension Plan.**
10.5	The 1986 Abbott Laboratories Management Incentive Plan.**
10.6	Abbott Laboratories Non-Employee Directors' Fee Plan.**
10.7	* The Abbott Laboratories 1996 Incentive Stock Program filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 2001 on Form 10-Q.**
10.8	* 1998 Abbott Laboratories Performance Incentive Plan filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 1998 on Form 10-Q.**
10.9	* Form of Agreement Between Abbott Laboratories and each of M. D. White, R. A. Gonzalez, J. M. Leiden, C. B. Begley and W. G. Dempsey, regarding Change in Control filed as Exhibit 10.9 to the 2001 Abbott Laboratories Annual Report on Form 10-K.**
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Abbott Laboratories.
23	Consent of Independent Public Accountants.
99.1	Cautionary Statement Regarding Forward-Looking Statements.

The 2002 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 12, 2002.

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* Incorporated herein by reference. Commission file number 1-2189.

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

*** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment separately filed with the Securities and Exchange Commission.

Abbott will furnish copies of any of the above exhibits to a shareholder upon written request to the Corporate Secretary, Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400.

QuickLinks

AMENDMENT TO PURCHASE AGREEMENT

This AMENDMENT TO PURCHASE AGREEMENT dated as of March 2, 2001 (this "Amendment") is between BASF Aktiengesellschaft ("Seller") and Abbott Laboratories ("Purchaser").

WITNESSETH:

WHEREAS, Seller and Purchaser are parties to the Purchase Agreement dated as of December 14, 2000 (Number 194 of the Roll of Deeds for 2000 of Dr. Norbert Meister, notar at Frankfurt a.M.) (the "Purchase Agreement") pursuant to which Purchaser has agreed to acquire the Shares and Transferred Patents (as such terms are defined in the Purchase Agreement); and

WHEREAS, Seller and Purchaser have agreed to certain matters incidental to the consummation of the transactions contemplated by the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties to the Purchase Agreement hereby agree as follows:

SECTION 1
DEFINITIONS

All initial capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Purchase Agreement.

SECTION 2
AMENDMENTS TO PURCHASE AGREEMENT

The Purchase Agreement is hereby amended as follows:

2.1. The section of the Purchase Agreement entitled "Definitions" is hereby amended by adding the following defined terms:

"BASF Knoll India Shares" means the Knoll India Shares owned by Lupharma and representing 51% of the total issued and outstanding equity shares of Knoll India.

"Hokuriku" means Hokuriku Seiyaku and Co. Ltd., a Japanese stock corporation.

"Knoll India Base Amount" means the aggregate value derived by multiplying the Knoll India Per Share Base Amount with the number of BASF Knoll India Shares.

"Knoll India Net Assets Amount" has the meaning set forth in Exhibit 7.4.

"Knoll India Per Share Base Amount" means (i) the Knoll India Per Share Tender Price, less (ii) the Knoll India Per Share Net Assets Amount.

"Knoll India Per Share Net Assets Amount" means (i) the Knoll India Net Assets Amount, divided by (ii) the number of outstanding Knoll India Shares as of the Closing.

"Knoll India Per Share Tender Price" means the price per share offered by Purchaser in the Knoll India Tender Offer.

"Knoll India Shares" means the fully paid, issued and outstanding voting equity shares in the capital of Knoll India, each such share having a par value of Rs. 10.

"Knoll India Tender Offer" means the public offer that Purchaser is required to make to the public shareholders of Knoll India pursuant to the laws of India as a result of Purchaser deciding to acquire, or acquiring, the BASF Knoll India Shares in accordance with the provisions of this Agreement, as amended.

"Knoll India" means Knoll Pharmaceuticals Limited, a listed public company formed under the laws of India.

"Lupharma" means Lupharma GmbH, a limited liability company under the laws of the Federal Republic of Germany registered in the Commercial Register of the local court Ludwigshafen under docket number HRB 3617.

"Provisional Knoll India Base Amount" means the amount set forth on Exhibit 8.1 for Knoll India.

"Transpharm" means Transpharm GmbH, a limited liability company under the laws of the Federal Republic of Germany registered in the Commercial Register of the local court Ludwigshafen under docket number HRB 1135.

2.2 Section 5.3 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

5.3 "Shared Substances" shall mean the substances (Substanzen) contained in the physical compound library of the Seller or its Affiliates (other than the Companies), on the one hand, and/or Knoll AG, on

the other hand, in each case at facilities located in Ludwigshafen, Germany, including, without limitation, any such substances obtained from third parties.

2.3. The section of the Purchase Agreement entitled "Section 7, Sale" is hereby amended by amending and restating such section in its entirety as follows:

7.1 Seller hereby sells the Shares and the Transferred Patents to Purchaser or to entities designated by Purchaser, subject to the occurrence and fulfillment or waiver of all of the Closing Conditions and with commercial

effect as amongst the parties as of the Closing, and Seller hereby agrees to transfer, or to cause its Affiliates to transfer, the Shares and the Transferred Patents by separate transfer contracts (hereinafter referred to as "Separate Transfer Contracts") to Purchaser or to entities designated by Purchaser at and effective as of the Closing. Notwithstanding anything to the contrary set forth in this Agreement, "Shares" shall not include shares or other interests in any of the companies or entities set forth on Exhibit 12.2(d).

7.2 The Separate Transfer Contracts shall be entered into and completed at the Closing in accordance with Section 12.1.

7.3 Seller shall cause the businesses described in clauses (a) through (d) in the definition of "Discontinued/Excluded Businesses" to be transferred to Seller or any of its Affiliates (other than the Companies) prior to the Closing. To the extent not so transferred, Purchaser shall (a) upon Seller's request and at Seller's expense cause each such transfer to be made or completed after the Closing as far as not made or completed prior thereto, (b) hold (without any obligation to manage or operate) such Discontinued/Excluded Businesses until completion of their transfer for the account of Seller and (c) pay any consideration in respect of such transfer to Seller.

7.4 Subject to the second sentence of Section 8.3(b), as far as the Knoll India Shares are concerned, the Knoll India Per Share Tender Price multiplied by the number of BASF Knoll India Shares acquired by Purchaser pursuant hereto (such amount, converted from RS to USD using the Conversion Exchange Rates, being the "Knoll India Purchase Price") shall determine the total purchase price paid by Purchaser to Seller in respect of, and allocated to, the BASF Knoll India Shares; PROVIDED, HOWEVER, that if such amount as so determined is (a) greater than the amount set forth for Knoll India on Exhibit 8.1, then the Knoll India Purchase Price shall be the amount set forth on such Exhibit, or (b) less than the amount set forth for Knoll India on Exhibit 8.1 (the "Knoll India Excess"), such Knoll India Excess shall be allocated to such Companies (other than Knoll India) as Seller and Purchaser may mutually agree. Exhibit 7.4 shall govern the calculation of the Knoll India Net Asset Value described therein.

7.5 The parties acknowledge that at the Closing, Purchaser shall not acquire the shares of Lupharma UK Holding II, Ltd. (or indirectly shares of Knoll International Private Ltd. ("Knoll India Private")). Seller hereby grants to Purchaser an option to acquire either the shares of Lupharma UK Holding II, Ltd. (the "Share Option") or all or substantially all of the assets of Knoll India Private (the "Assets Option") through such entities as Purchaser may elect, including through a less than wholly owned affiliate of Purchaser. Purchaser shall exercise either the Share Option or the Assets Option no later than December 31, 2001. Upon the exercise of

such Option by Purchaser, each of Purchaser and Seller shall take, or cause to be taken, all actions (including the execution and delivery of documents, instruments and agreements), and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions

contemplated by the sale of such assets, including (i) obtaining all necessary actions or nonactions, waivers, consents and approvals from third parties and governmental entities and making all necessary registrations and filings (including filings with governmental entities) and taking all reasonable steps as may be necessary to obtain any approvals or waivers from, or avoiding any action or proceeding by, any such third parties or governmental entities, (ii) executing and delivering any additional instruments necessary to consummate the transactions contemplated by this Section 7.5, and to fully carry out the purposes of this Section, and (iii) the engagement of such Indian advisors (including Counsel and accountants) as may be necessary to fully carry out the purposes of this Section. From and after the Closing through the date of the acquisition contemplated by this Section 7.5, Seller shall operate Knoll India Private in accordance with the terms of this Agreement as if Knoll India Private were a Company referred to in Section 12.5. Upon the closing of the transactions contemplated by the Share Option or the Assets Option, as the case may be, Purchaser shall pay Seller or Seller's Affiliate (including Knoll India Private in the case of the exercise of the Assets Option) the purchase price for Knoll India Private in the amount set forth on Exhibit 8.1 for such entity.

2.4. The section of the Purchase Agreement entitled "Section 8, Purchase Price" is hereby amended by amending and restating such section in its entirety as follows:

8.1 Subject to Section 8.2(b) below, the aggregate purchase price for the Shares and Transferred Patents and the license granted in Section 25.1 below shall be USD 6,930,000,000.00 (six billion nine hundred thirty million United States Dollars) (hereinafter referred to as the "Aggregate Purchase Price"), and shall be allocated, except as otherwise provided in Section 7.4, as set forth in Exhibit 8.1. To the extent permitted by law such allocation of the Aggregate Purchase Price shall be binding for Seller and Purchaser for all aspects including but not limited to tax filings. The Aggregate Purchase Price less any sums held back pursuant to Sections 8.2(b) or 12.5 shall be paid to Seller by transfer of immediately available funds and free of wire transfer charges and transfer taxes to:

Account	BASF AG
Bank	Citibank, New York
SWIFT Code	CITIUS33
ABA No.	021000089
Account No.	40795258

8.2 (a) The Aggregate Purchase Price shall be adjusted as provided for in Sections 9 and 10 below or as a result of a claim for indemnification pursuant to Sections 15, 18 and 21 below.

(b) Purchaser shall withhold $ 15,000,000 (the "Uetersen Amount") from the Aggregate Purchase Price paid at the Closing and shall hold the Uetersen Amount in escrow until such time as Seller shall have delivered to Purchaser satisfactory evidence of the full and unconditional termination of (i) the License Agreement (LIZENZVERTRAG) (the "Uetersen License"), regarding the marketing and sale of Pancreatin, to be executed by Knoll AG and Nordmark Arzneimittel GmbH & CO. KG pursuant to the Master Agreement regarding the acquisition of the Uetersen factory of Knoll AG (RAHMENVERTRAG UEBER DEN ERWERB DER BETRIEBSSTAETTE WERK UETERSEN DER KNOLL AG) between Knoll AG and Dr. Peter Tonne, and (ii) Knoll AG's obligation to execute and deliver such Uetersen License; provided, that if the Uetersen License and such obligation are not so terminated within 60 days after Closing, Purchaser shall retain the Uetersen Amount and such Uetersen Amount will constitute a reduction of the Aggregate Purchase Price.

8.3 (a) The parties acknowledge that the Aggregate Purchase Price does not reflect any amounts to be paid in respect of the computations to be made pursuant to Sections 9 and 10, and Exhibit 7.4 hereof.

(b) If the Provisional Knoll India Base Amount exceeds the Knoll India Base Amount (the "Knoll India Base Amount Overallocation"), an amount equal to the Knoll India Base Amount Overallocation shall be allocated to such other Shares (other than the BASF Knoll India Shares) or assets of the Companies (other

than Knoll India) in such manner as Purchaser and Seller shall mutually agree. If the Knoll India Base Amount exceeds the Provisional Knoll India Base Amount (the "Knoll India Base Amount Underallocation"), an amount equal to the Knoll India Base Amount Underallocation shall reduce the amount allocated to the BASF Knoll India Shares.

The "Non-Indian Purchase Price" shall be equal to (a) the Aggregate Purchase Price, less (b) the Knoll India Base Amount.

2.5. The section of the Purchase Agreement entitled "Section 9, Non-Hokuriku Purchase Price Adjustment" is hereby retitled "Section 9, Non-Indian Purchase Price Adjustment" and amended by amending and restating such section in its entirety as follows:

9.1 The Non-Indian Purchase Price shall be adjusted as follows:

(a) As of September 30, 2000, the net asset value of the BASF Pharmaceutical Business amounts to EUR 750,400,000 (seven hundred fifty million four hundred thousand Euro) (such amount,

net of the Knoll India Reference Net Asset Value, being hereinafter referred to as "Reference Net Asset Value"). The Reference Net Asset Value has been determined on the basis of the unaudited proforma balance sheet contained in the attached Exhibit 9.1(a) in item 3.2 thereof taking into account adjustments, as shown in Exhibit 9.1(b) by the elimination of (i) Cash, Financial Debt, deferred Taxes and Accrued Taxes as shown in Exhibit 9.1(a), (ii) deferrals shown in Exhibit 9.1(a) as miscellaneous liabilities related to expenses of Seller allocated to the BASF Pharmaceutical Business; and (iii) other current assets as shown in Exhibit 9.1(a) related to one-time payments of American Home Products to Seller with regard to a certain patent ("Enbrel"). Notwithstanding anything to the contrary set forth in this Section 9.1, Exhibit 9.1(a) or Exhibit 9.1(b), Section 21.4 shall govern to the exclusion of this Section 9.1 with respect to the calculations described therein.

(b) If the net asset value of the BASF Pharmaceutical Business as of the Closing (net of the Knoll India Closing Net Asset Values) as determined in accordance with the principles set forth in Section 10 below and as shown on the Final Closing Net Asset Value Statement (hereinafter referred to as the ("Closing Net Asset Value") is less than the Reference Net Asset Value, Seller shall pay to Purchaser the amount by which the Closing Net Asset Value is less than the Reference Net Asset Value.

(c) If the Closing Net Asset Value exceeds the Reference Net Asset Value, Purchaser shall pay to Seller in addition to the amounts required to be paid pursuant to Section 8.1 the amount by which the Closing Net Asset Value exceeds the Reference Net Asset Value.

9.2 The amount determined in accordance with Section 9.1 above shall be paid by Seller or Purchaser, as the case may be in USD, together with any accrued interest at a rate of six percent per annum as of the Closing within 5 working days after the Closing Net Asset Value Statement has become final in accordance with Section 10.5 hereof in immediately available funds free of wire transfer charges and transfer taxes to the bank account set forth in Section 8.1 above, if payment is to be made to Seller, and to Citibank, N.A., New York, New York (ABA #021000089) for credit to Abbott Laboratories (Acct. #00001329) if payment is to be made to Purchaser. Any credit to Purchaser shall be made in USD at the spot exchange rate in effect at two business days prior to the date of payment.

2.6. Sections 10.1 and 10.2 of the Purchase Agreement are hereby amended by amending and restating such sections in their entirety as follows:

10.1 For the purpose of determining the amount of the purchase price adjustment, if any, pursuant to Section 9 above, Seller shall deliver to Purchaser as promptly as practicable (but in any event no more than 45 days) after the Closing an audited consolidated balance sheet and statement of changes in shareholder's equity of the Companies as of the Closing (the "Closing Balance Sheet") and the Closing Net Asset Value Statement, each prepared by Seller and audited by Deloitte & Touche GmbH ("Seller's Auditors") (hereinafter referred to as "Closing Net Asset Value Statement") reflecting the Closing Net Asset Value, together with the report of Seller's Auditors thereon ("Auditor's Report"). The Closing Balance Sheet and the statement of changes in shareholder's equity included in the Auditor's Report shall be prepared in accordance with the Report Principles (as defined in Section 13.20) as of the Closing Date, and prepared and consolidated in a manner consistent with Exhibit 9.1(a). The Closing Net Asset Value Statement included in the Auditor's Report shall be prepared on the basis of, and derived from, the balance sheet contained in the Closing Balance Sheet, and adjusted in a manner consistent with Exhibit 9.1(b), and further adjusted in accordance with the principles set forth in Exhibit 10.1 hereto; provided however, that (a) the value of any Cash of Hokuriku (or intercompany item or receivable in respect of Cash of Hokuriku) to be set forth on the Final Hokuriku Net Asset Value Statement shall not exceed U.S. $170,000,000, (b) the Closing Balance Sheet shall not reflect any cash of the Companies to be paid after Closing by way of dividend or distribution to which Purchaser shall not be entitled, (c) no value shall be included on the Closing Balance Sheet for the Excluded Inventories (as hereinafter defined), and (d) the Closing Balance Sheet shall include as an asset an adjustment of U.S. $ 321,000 to the extent such adjustment has been paid prior to Closing. The audit of the Closing Balance Sheet shall include a physical count and valuation of the Companies' inventory. The Auditor's Report shall provide at least as much detail by financial statement line item as is included in Exhibit 9.1(a). Intercompany Obligations shall be dealt with as provided in Section 19; PROVIDED, HOWEVER, that the Closing Net Asset Value Statement shall reflect the amounts payable by the Companies and the amounts payable by Seller pursuant to the Agreement set forth on Exhibit 19.3. Notwithstanding anything to the contrary set forth in this Section 10.1, Exhibit 7.4 shall govern the calculation of the Knoll India Net Asset Value described therein.

10.2 To the extent that the Closing Net Asset Value Statement arrives at a Closing Net Asset Value resulting in an adjustment of the Non-Indian Purchase Price pursuant to Section 9, the Closing Net Asset Value Statement must also state how the amount by which the Non-Indian Purchase Price, as so adjusted, should be allocated. The parties acknowledge and agree that (a) the Knoll India Purchase Price reflects the value of any additional net assets that may be attributable to Knoll India and that no additional allocation to Knoll India shall be made in excess of

the Knoll India Purchase Price as calculated pursuant to Section 7.4, (b) no additional allocation to Knoll Pharmaceuticals Ltd., a Pakistan corporation, shall be made in excess of the amount set forth on Exhibit 8.1 for such entity, and (c) no additional amount shall be allocated to BASF Pharmaceutical Corp. on account of its holdings in Hokuriku.

2.7. Section 11.1.1 of the Purchase Agreement is hereby amended by adding the following subsections (d) and (e):

d) Seller shall have completed the Hokuriku Share transfer procedures described in Exhibit 11.1.1(d).

e) Seller shall have completed the transfer procedures relating to Knoll Pharmaceuticals Ltd. and Knoll International Ltd. described in paragraphs 1(a) and 2 of Exhibit 11.1.1(e).

2.8. Section 12.2 of the Purchase Agreement is hereby amended by adding the following subsection (d):

d. a duly executed sales and transfer contract

transferring from the Companies to Seller or its Affiliates the entities set forth on Exhibit 12.2(d).

2.9 Section 12.5 is hereby amended by adding the following to the end of such Section:

The parties acknowledge that the shares in the Companies described on Exhibit 12.5 shall be Shares subject to this Section 12.5.

2.10. The section of the Purchase Agreement entitled "Section 13, Representations of Seller" is hereby amended by adding the following Section 13.29:

13.29(I) The entities described below have been held, directly or indirectly, 100% (66.67% as to Hokuriku) by Seller in an uninterrupted chain of title as described below:

(a) KNOLL AG

(i) Since prior to January 1, 2000 to November 27, 2000, Seller owned directly 100% of the issued and outstanding shares of capital stock of Knoll AG;

(ii) On November 27, 2000, Seller transferred a 94% interest in Knoll AG to BASF Pharma Holding GmbH, a wholly owned direct subsidiary of Seller;

(iii) Seller and BASF Pharma Holding GmbH will until Closing continue to own directly 6 and 94 percent, respectively, of the issued and outstanding shares of Knoll AG;

(iv) Seller has, since prior to January 1, 2000 owned, and Seller will continue until the Closing to own, directly 100% of the equity interests (Geschaftsanteile) of BASF Pharma Holding GmbH;

(b) LUPHARMA AND TRANSPHARM

(i) Since prior to January 1, 2000 to July 1, 2000, Knoll AG owned directly 100% of the equity interests (Geschaftsanteile) of each of Lupharma and Transpharm;

(ii) On July 1, 2000, Knoll AG transferred to Seller all of Knoll AG's right, title and interest in and to the equity interests (Geschaftsanteile) of each of Lupharma and Transpharm, being in each case 100% of the equity interests (Geschaftsanteile) thereof;

(iii) On July 1, 2000, immediately upon having acquired all of Knoll AG's right, title and interest in and to the equity interests (Geschaftsanteile) of each of Lupharma and Transpharm, Seller transferred to BASF Pharma Holding GmbH all of Seller's right, title and interest in and to the equity interests (Geschaftsanteile) of each of Lupharma and Transpharm, being in each case 100% of the equity interests (Geschaftsanteile) thereof;

(iv) BASF Pharma Holding GmbH has since July 1, 2000 owned, and BASF Pharma Holding GmbH will continue until the Closing to own, directly 100% of the equity interests (Geschaftsanteile) of each of Lupharma and Transpharm;

(c) HOKURIKU

(i) Since January 1, 2000, Seller's interest in the issued and outstanding shares in Hokuriku has been owned as set forth in Exhibit 13.29;

(ii) Lupharma has acquired by an agreement dated July 1, 2000, and Lupharma will continue until the completion of the transfers contemplated by Exhibit 11.1.1(d) to own, directly 14,616,000 shares in Hokuriku;

(iii) Transpharm has acquired by an agreement dated July 1, 2000, and Transpharm will continue until the completion of the transfers

contemplated by Exhibit 11.1.1(d) to own, directly 14,616,000 shares in Hokuriku;

(iv) Immediately prior to Closing, the transfers contemplated by Exhibit 11.1.1(d) shall have been completed;

(d) KNOLL PHARMACEUTICAL COMPANY

(i) Since prior to January 1, 2000, BASFin has owned, and BASFin will continue until the Closing to own, directly 100% of the issued and outstanding shares of capital stock of BASF Corporation;

(ii) Since prior to January 1, 2000 to July 31, 2000, BASF Corporation owned directly 100% of the issued and outstanding shares of capital stock of BASF Capital Corporation;

(iii) Since prior to January 1, 2000 to July 31, 2000, BASF Capital Corporation owned directly 100% of the issued and outstanding shares of capital stock of Knoll Pharmaceutical Company;

(iv) On July 31, 2000, BASF Capital Corporation was merged into BASF Corporation, as a result of which Knoll Pharmaceutical Company became a wholly owned direct subsidiary of BASF Corporation;

(v) On July 31, 2000, BASF Corporation transferred to BASF Pharmaceutical Corporation all of the issued and outstanding shares of capital stock of Knoll Pharmaceutical Company, as a result of which Knoll Pharmaceutical Company became a wholly owned direct subsidiary of BASF Pharmaceutical Corporation;

(vi) BASF Pharmaceutical Corporation has since July 31, 2000 owned, and BASF Pharmaceutical Corporation will continue until the Closing to own, directly 100% of the issued and outstanding shares of capital stock of Knoll Pharmaceutical Company;

(vii) On July 31, 2000, BASF Corporation transferred to BASFin Corporation all of the issued and outstanding shares of capital stock of BASF Pharmaceutical Corporation, as a result of which BASF Pharmaceutical Corporation became a wholly owned direct subsidiary of BASFin Corporation;

(viii) Since prior to January 1, 2000, Seller owned, and will continue until the Closing to own, directly 100% of the issued and outstanding shares of capital stock of BASFin Corporation;

(ix) On July 31, 2000, BASFin Corporation transferred to Seller all of the issued and outstanding shares of capital stock of BASF Pharmaceutical Corporation, as a result of which BASF Pharmaceutical Corporation became a wholly owned direct subsidiary of Seller;

(x) On November 27, 2000, Seller transferred to BASF Pharma Holding GmbH all of the issued and outstanding shares of capital stock of BASF Pharmaceutical Corporation, as a result of which BASF Pharmaceutical Corporation became a wholly owned direct subsidiary of BASF Pharma Holding GmbH;

(xi) On November 27, 2000, BASF Pharma Holding GmbH transferred to Lupharma all of the issued and outstanding shares of capital stock of BASF Pharmaceutical Corporation, as a result of which BASF Pharmaceutical Corporation became a wholly owned direct subsidiary of Lupharma;

(xii) During the period from November, 2000 to the date hereof, Lupharma GmbH will continue until the Closing to own directly 100% of the issued and outstanding shares of capital stock of BASF Pharmaceutical Corporation;

(II) On February 27, 2001, Knoll AG transferred 18,062,659 quotas of Knoll Produtos Quimicos e Farmaceuticos Ltda., which represent 99.999% of its share capital, to Lupharma. On that same date, Knoll Produtos Quimicos e Farmaceuticos Ltda. amended its Articles of Association to reflect this transfer. Further on that same date, the amendment of the Articles of Association was filed with the Commercial Registry of Rio de Janeiro and the transfer of the quotas was recorded in the books and records of Knoll AG and Lupharma.

2.11. Section 15.1(I) of the Purchase Agreement is hereby amended by adding the following subsections (d), (e), (f), and (g):

d) The termination of the Development and Distribution Agreement between Knoll, Ltd. and Byk Gulden ("Byk"), dated May 1, 1996 (the "Byk Agreement"), by Byk Gulden due to the exercise of its right of termination pursuant to Section 16.4 thereof, provided that, with respect to this subsection (d), Damages owing by Seller pursuant to this Section 15.1(I)(d) shall (i) be calculated taking into account the methodology and factors set forth on Exhibit 15.1(I)(d), and (ii) not exceed U.S. $51,400,000 in the aggregate;

e) (i) The failure of the representations and warranties set forth in Section 13.1 to be true and correct with respect to Knoll Philippines, Inc. (KPH) ("Knoll Philippines"), the failure by Knoll Philippines to have prepared

financial statements as required by law and any action by the Purchaser Group or Knoll Philippines after Closing necessary to render such representations and warranties true and correct, and (ii) the sale by Knoll Philippines of its assets to a party designated by Purchaser or the liquidation of Knoll Philippines, including any and all costs, Taxes, filing, registration and other fees, and expenses (including reasonable attorneys' and accountants' fees, liabilities to creditors, and any fines or penalties) arising out of or relating thereto or reasonably incurred to bring Knoll Philippines into compliance with Philippine laws and regulations, to the extent such compliance is a condition to the liquidation of Knoll Philippines;

f) Any Taxes, including stamp taxes, transfer taxes and VAT, arising from or related to (i) the shares of Knoll Pharma Ltd. and Knoll Ltd. and/or (ii) the sale, transfer or other disposition of any Discontinued Businesses or any of the entities or businesses described on Exhibit 12.2(d), whenever effected; and

g) Knoll Sante Active S.A. ("Knoll Sante" that the Purchaser Group would not have incurred had Knoll Sante not been acquired, directly or indirectly, by Purchaser, including any liabilities, Taxes, costs, filing, registration and other fees, and expenses (including reasonable attorneys' and accountants' fees) arising out of or related to Knoll Sante, its business or operations prior to Closing, or its liquidation, winding up or dissolution.

2.12. Section 15.4 of the Purchase Agreement is hereby amended by amending and restating such section in its entirety as follows:

15.4 The limitation of the liability of Seller set forth in Sections 15.2 and 15.3 above shall not apply in case of a violation of any Representation made in Sections 13.1 through 13.4, Section 13.9, Section 13.15.3(a), and Section 13.29. In this case, the liability of Seller shall be limited to the amount of the Aggregate Purchase Price as adjusted pursuant to Section 9.

2.13. Section 15.8(a) of the Purchase Agreement is hereby amended by amending and restating such section in its entirety as follows:

a) claims pursuant to Sections 13.1 through 13.4, 13.9, 13.15.3(a), and 13.29, and claims pursuant to Sections 13.13 and 13.14 which are based on a defect of title, shall be subject to a survival period of 10 years;

2.14. Section 19.3 of the Purchase Agreement is hereby amended by inserting the following phrase at the beginning of such section:

Except as the parties may otherwise agree as set forth on Exhibit 19.3,

2.15. Section 21.1 of the Purchase Agreement is hereby amended by adding the following sentence at the end of such section:

> To the extent not otherwise indemnifiable under any other indemnity provision of this Agreement, Seller shall indemnify and hold harmless Purchaser and each of its Affiliates (including the Companies) from and against any and all Damages (including, without limitation, costs and expenses of litigation and reasonable attorneys' fees and expenses for physical delivery of shares) arising out of or related to claims asserted under Seller's stock option programs or any stock purchase plan of Seller or its Affiliates against Purchaser or any of its Affiliates (including the Companies).

2.16. The section of the Purchase Agreement entitled "Section 24, Conduct of Business prior to Closing" is hereby amended by adding the following Sections 24.14, 24.15, 24.16, 24.17 and 24.18:

24.14 Prior to the Closing, Seller shall cause (a) the Hokuriku Shares owned by it to be transferred to KPC as described on Exhibit 11.1.1(d), and (b) the Shares of the Indian entities described on Exhibit 11.1.1(e) to be transferred to Seller's new companies as described therein.

24.15 If there are any Shares not transferred at Closing pursuant to Section 12.5, including the Shares of Lupharma UK Holding II, Ltd., the rights of Purchaser as described in Section 24.5(a) shall continue post-Closing for purposes of determining Seller's compliance with the terms of this Purchase Agreement, including, without limitation, compliance with the terms in Sections 12.5 and 24.8. Such rights shall terminate when all such Shares are transferred in accordance with Section 12.5.

24.16 Seller shall, without further consideration and at no additional cost to Purchaser in excess of those costs that the Companies would have incurred had they remained Affiliates of Seller (such costs to be calculated on a basis consistent with the pro forma financial statements provided to Purchaser in the London data room in November 2000, or to Purchaser during the November 2000 Seller management presentation), take such acts, or cause such acts to be taken, as necessary to ensure uninterrupted and lawful use by the Companies worldwide from and after the Closing Date of all information technology ("IT"), software, data and IT related equipment and hardware, including routers and telecommunications and data equipment (collectively, "IT Rights") utilized by the Companies in the conduct of their respective businesses. Such acts shall include, if necessary to insure such uninterrupted and lawful use, the valid transfer of Seller's or its Affiliates' existing IT Rights, including, without limitation, any rights pertaining to any IT or software customized by Seller and/or its Affiliates, the separate procurement of such IT Rights in the name of and for the benefit of the Companies or the valid transfer of copies of any

> Seller-owned software (including source codes and documentation) (the "IT/Software Licenses"). Such IT/Software Licenses include, without limitation, the following:

Software Package	Software Vendor	Number of Licenses
MS Office 2000	Microsoft	6022

Oracle concurrent users Oracle 226 ---------- ---------- ---------- ---------- ------ --- ------- Netware Novell 6022 ----- ---------- ---------- ----- ---- ---------- -- ------- --- Documentum Documentum 126 ------ ---------- ---------- ---- ----- ---------- - -------- -- Brazil outstanding SAP invoice to BASF Corp - -------- ---------- ---------- -- ------- --------- ---------- R&D MDL - 500 ------ ---------- ---------- ---- ----- ---------- - -------- -- Win BLITZ - - ---------- ---------- ---------- ---------- ------ --- ------- BLITZ - - ---------- ---------- ---------- ---------- ------ --- ------- SPRINT - - ---------- ---------- ---------- ---------- ------ --- ------- BASF HR - - -------- ---------- ---------- -- ------- --------- ---------- TPS - - -- ---------- ---------- -------- - ---------- ----- ---- ------ ELJ BASF - --- ---------- ---------- ------- -- ---------- ---- ----- ----- Oracle Clinical Oracle - - ---------- ---------- --------- ---------- ---------- ------ --- ------- ClinTrace

24.17 Seller (a) shall procure that, effective no later than December 31, 2001, any license relating to Pharmaceutical Products and granted by it or any of its Affiliates to BASF LYNX Bioscience AG ("BASF/LYNX"), shall be terminated or shall expire, including any license to use the "TET" technology and, (b) hereby undertakes not to exercise or obtain any benefit of any right of first refusal, first offer or similar rights on developments, research or products arising from BASF/LYNX, the research, development, importation, use, registration, manufacture, distribution or sale of which would violate or be inconsistent with Section 27.1.

24.18 The parties acknowledge that Purchaser shall not acquire certain inventories of the Companies with a book value of up to $30 million (the "Excluded Inventories"). No later than twenty (20) business days after the Closing, Purchaser shall deliver to Seller a statement describing the Excluded Inventories ("Excluded Inventories Notification"). Seller shall, at its sole cost and expense (a) remove from the Companies' premises all of the Excluded Inventories, and (b) destroy of the Excluded Inventories in

compliance with applicable law ("Inventory Destruction"), no later than ten (10) business days after Seller's receipt of the Excluded Inventories Notification or such later date as may be necessary to comply with applicable laws governing such Destruction (the "Destruction Date"). Seller shall certify to Purchaser in writing that the Inventories Destruction shall have been completed in accordance with this Section 24.18 no later than ten (10) business days after the Destruction Date. If the book value of the Excluded Inventories is less than $30 million, Seller shall pay to Purchaser, no later than 10 business days after Seller's receipt of the Excluded Inventories Notification, an amount in cash by immediately available same day funds equal to the difference between $ 30 million and such book value.

24.19 After the Closing, Seller shall continue to prosecute, at its own expense and with its own counsel, the EBEWE Insurance Claims. Each of Purchaser and Seller shall pay to the other party 50% of any proceeds or recovery from the EBEWE Insurance Claims (net of expenses and any Taxes arising in connection therewith) that it may receive no later than 5 business days after receipt by Purchaser or Seller (as the case may be) of such proceeds or recovery. "EBEWE Insurance Claims" shall mean claim No. C 00006292 asserted by Seller on behalf of EBEWE Arzneimittel GmbH ("EBEWE") against American International Group, Inc. (AIG) under Policy No. Y10FID2100 in the approximate amount of 28,400,000 Euro, relating to losses incurred by EBEWE on account of unauthorized forward currency exchange transactions undertaken by former employees of EBEWE with funds of EBEWE.

2.17 Section 24.8 of the Purchase Agreement is hereby amended by adding the following sentence to the end of such Section:

With respect to the Shares that are not transferred at Closing (the "Excluded Companies"), Seller covenants that it will, and will cause the Excluded Companies to: (a) provide Purchaser with a contact person of each of such Companies who shall coordinate any procedures with respect to such Companies for financial reporting or the transfer of such Companies following the Closing, (b) permit Purchaser and its representatives to have reasonable access to the assets, employees, books and records of such Companies, and shall furnish or cause to be furnished to Purchaser such financial,

tax, regulatory, R&D and operating data and other available information with respect to such Companies as Purchaser may from time to time request or that may otherwise be legally required by Purchaser, and (c) upon the transfer of the Shares of each such Excluded Company to Purchaser, remit all earnings of such Company through the date of such transfer as soon as practicable (but no later than five (5) business days) after the date of such transfer, together with interest thereon at a rate of six percent per annum from the Closing through the date on which such earnings are paid to the Company.

2.18. Section 25 of the Purchase Agreement is hereby amended by amending and restating Sections 25.2, 25.3 and 25.4 in their entirety and by adding a new Section 25.5, as follows:

25.2 Seller hereby grants to Purchaser and Purchaser's Affiliates including the Companies, with respect to Seller Shared Substance Related Patents an irrevocable, exclusive fully paid-up license for the life of the respective patent, with the right to grant sublicenses, in the Pharmaceutical Field and the Pharmachemical Field.

25.3 Purchaser hereby grants to Seller with respect to the Shared Substance Related Patents an irrevocable, exclusive fully paid-up license for the life of the respective patent, with the right to grant sublicenses, outside of the Pharmaceutical Field and the Pharmachemical Field.

25.4 Except as otherwise agreed by the parties, the following procedures will govern Shared Substances that are located on the premises of one party but that are not physically present already in the compound collection of the other party. Either Purchaser or Seller may request samples of Shared Substances from the other party, subject to the following:

(a) The number of samples of different compounds requested by a party shall not exceed 20,000 in the aggregate;

(b) Each solid sample request must be for a physical quantity of 20 milligrams or less;

(c) No party shall be required to provide any solid sample of Shared Substances if such party has less than 70 milligrams of such Shared Substances remaining in such party's compound library; and

(d) No party shall be required to provide any sample requested after September 3, 2002.

25.5 The parties acknowledge that Seller owns certain patents relating to certain inactive ingredients that are being supplied by Seller or one of its Affiliates to the Companies, commonly known as "excipients" ("Excipients"). Seller agrees that, with respect to Excipients that are the basis of, or included in, any product registrations of any of the Companies ("Covered Excipients"), (a) Seller shall, and shall cause its Affiliates to, continue to supply the Companies with their requirements of Covered Excipients on terms and conditions generally offered to Seller's comparable customers, and (b) if Seller and its Affiliates cease to manufacture and sell any Covered Excipients, Seller shall (i) provide Purchaser with not less than 12 months prior written notice of such

cessation, and (ii) grant the Companies an irrevocable, non-exclusive, paid-up license for the life of the respective patent, with the right to grant sublicenses, to make, have made and use the Covered Excipients to produce any of the Companies' products in the Pharmaceutical Field.

2.19. The section of the Purchase Agreement entitled "Section 26, Conduct and Litigation" is hereby amended as follows:

(a) Section 26.1 (i) of the Purchase Agreement is hereby amended by inserting the phrase "to the extent" immediately preceding the existing phrase "based upon, arising out of, or related to."

(b) Section 26.1 (iv) of the Purchase Agreement is hereby amended by replacing the existing term "26(a)(i)" with the term "26.1(i)."

(c) Section 26.1 of the Purchase Agreement is hereby amended by adding the following sentence at the end of such section:

> Loss, liability, damage and expenses covered by this Section 26 shall include, without limitation, any expenses arising from the provision of free product by KPC, net of any reserve on the Closing Date Balance Sheet for any such product.

(d) Section 26.2 of the Purchase Agreement is hereby amended by inserting the term "hereafter" immediately preceding the existing phrase "commenced against it" in the first sentence of such section.

(e) Section 26.3 of the Purchase Agreement is hereby amended by inserting the phrase "Section 26.2 above and" immediately preceding the existing phrase "Section 26.4" in the first sentence of such section.

(f) Section 26.6 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

> Insurance Proceeds and Settlement Amounts. Seller shall be entitled to all IN RE SYNTHROID(R) MARKETING LITIGATION Settlement Amounts. In addition, if and to the extent that Seller prosecutes, at its own expense and with its own counsel, the Insurance Litigation, Seller shall be entitled to any proceeds or recovery arising from or out of the Insurance Litigation. Purchaser hereby assigns any and all rights, claims and/or interests in the Insurance Litigation to Seller, including authorizing Seller to sue, continue suit, prosecute, receive and retain any and all recoveries or proceeds in or from the Insurance Litigation without limitation in the name of Knoll Pharmaceutical Company, all and with the same force and effect as if Knoll Pharmaceutical Company and/or any and all predecessors and/or successors to Knoll Pharmaceutical Company had done so.

(g) Section 26.7(i) of the Purchase Agreement is hereby amended by deleting the existing term "and" immediately preceding the existing term "(3)" and by adding the following phrase at the end of such section:

> ; (4) the dismissal of RXD PHARMACIES, INC. V. BASF, ET AL., No. 98CV-5560, United States District Court for the Eastern District of Pennsylvania; (5) IN THE MATTER OF COORDINATED PROCEEDINGS SPECIAL TITLE, PHARMACEUTICAL CASES I, II AND III J.C.C.P. Nos. 2969, 2971 and 2972 in the Superior Court of California; and (6) any settlement or similar agreements entered into in connection therewith, including the Master Agreement of Settlement and Release entered into by Knoll on February 1, 1999.

(h) Section 26.7(ii) of the Purchase Agreement is hereby amended by amending and restating such section in its entirety as follows:

> (ii) "Section 26 Conduct" shall mean the conduct alleged, or conduct substantially similar to that alleged, in the Section 26 Litigation, and which in each case occurs prior to Closing;

(i) Section 26.7 (iii) of the Purchase Agreement is hereby amended by adding the following phrase at the end of such Section and immediately before the existing term "and":

> and any policies in excess thereof that were issued to Knoll Pharmaceutical Company or its predecessors prior to the Closing.

2.20. Section 27.2 of the Purchase Agreement is hereby amended by adding the following sentence at the end of such section:

> Further, subject to the following proviso, the preceding paragraph shall not prevent Seller from maintaining its equity ownership interest in the joint venture company BASF/LYNX; PROVIDED, that (x) any such equity ownership interest percentage shall be not more than 45%, (y) such equity ownership interest shall be for financial investment purposes only and shall not extend, directly or indirectly, to (1) any other arrangements, contracts, revenue sharing, licensing or right of first refusal, first offer or similar rights on developments, research or products arising from BASF/LYNX, the research, development, importation, use registration, manufacture, distribution or sale of which would violate or be inconsistent with Section 27.1, or (2) other opportunities of any kind with such joint venture company in any manner that would otherwise violate or be inconsistent with Section 27.1, and (z) no assets, properties, rights or interest, including Patents or Intellectual Property, of any of the Companies or the BASF Pharmaceutical Business shall be made available,

provided or licensed to or used

by such joint venture company, including, without limitation, through any license of "TET" technology.

2.21. The section of the Purchase Agreement entitled "Section 27, Non-Compete Covenant" is hereby amended by adding the following Section 27.3:

27.3 Notwithstanding anything in Sections 27.1 or 27.2 to the contrary, the operation of the restrictions in such sections in Turkey shall be for a period of five years following the Closing.

2.22. Exhibit 4.2(b) to the Purchase Agreement is hereby deleted.

2.23.Exhibits 5.1 and 5.2 to the Purchase Agreement are hereby amended as follows:

(a) Exhibit 5.1 is hereby amended to add the following patent cases:

00480/1059
00480/1075
00480/1164
00480/1200
00480/1201
2475/8170
00480/1218
00650/1003
2063/8460

(b) Exhibit 5.2 is hereby amended to add the following patent cases:

00050/48377
00050/49589
00050/49033
00050/49619
00050/49931

(c) In addition, each of Exhibits 5.1 and 5.2 are hereby amended to incorporate any and all patents and/or patent applications, including but not limited to all divisionals, continuations, continuations in part, reissues, renewals, extensions and supplementary protection certificates thereof and therefor, existing anywhere in the world, not specifically listed but which otherwise are owned by Seller and:

(i) in the case of Exhibit 5.1, relate exclusively to the Pharmaceutical Field and/or the BASF Pharmaceutical Business; and

(ii) in the case of Exhibit 5.2, relate but not exclusively relate to the Pharmaceutical Field and/or the BASF Pharmaceutical Business.

2.24. Exhibit 7.4 to the Purchase Agreement is hereby amended by amending and restating such exhibit in its entirety as follows:

KNOLL INDIA NET ASSET VALUE STATEMENT

EXHIBIT 7.4

SECTION 1
KNOLL INDIA NET ASSET VALUE CALCULATION

1.1 (a) Prior to the Closing, Seller shall ascertain the aggregate value of the net assets of Knoll India (the "Knoll India Reference Net Asset Value") as of September 30, 2000 on the basis of the unaudited proforma balance sheet contained in the attached Exhibit 9.1 (a), and adjusted to eliminate Cash, Financial Debt, deferred Taxes and Accrued Taxes.

(b) (i) If the value of the net assets of Knoll India as of the Closing as determined in accordance with the principles set forth in Section 2 below and as shown on the Knoll India Closing Net Asset Value Statement (hereinafter referred to as the "Knoll India Closing Net Asset Value") is less than the Knoll India Reference Net Asset Value, Seller shall pay to Purchaser Seller's pro rata share, in accordance with its percentage interest in Knoll India as of the Closing, of the amount by which the Knoll India Closing Net Asset Value is less than the Knoll India Reference Net Asset Value.

(ii) If the Knoll India Closing Net Asset

Value exceeds the Knoll India Reference Net Asset Value, such excess (the "Knoll India Net Assets Amount") shall be paid pro rata to Seller in accordance with its percentage interest in Knoll India as of the Closing.

1.2 Each of the amounts determined in accordance with Section 1.1 (b)(i) above shall be paid by Seller within 5 working days after the applicable Closing Net Asset Value Statement has become final in accordance with Section 2.4 hereof in immediately available funds to Citibank, N.A., New York, New York (ABA #021000089) for credit to Abbott Laboratories (Acct. #00001329). Any credit to Purchaser shall be made in U.S. dollars at the spot exchange rate in effect at two business days prior to the date of payment.

SECTION 2
FINAL CLOSING KNOLL INDIA NET ASSET VALUE STATEMENT

2.1 For the purpose of determining the amount of the payments, if any, pursuant to Section 1 above, Seller shall deliver to Purchaser as promptly as practicable (but in any event no later than 15 working days) after the Closing a condensed balance sheet of Knoll India, certified by Knoll

India's chief financial officer (hereinafter referred to as "Knoll India Closing Net Asset Value Statement") reflecting the Knoll India Closing Net Asset Value. The Knoll India Closing Net Asset Value Statement shall be prepared in accordance with the Report Principles (as defined in Section 13.20(a) of the Agreement) as of the Closing Date, shall be prepared and consolidated in a manner consistent with Exhibit 9.1(a), shall fairly present the net assets of Knoll India as of the Closing Date, and shall be adjusted in a manner consistent with Exhibit 9.1(b) (to the extent applicable) and further adjusted in accordance with the principles set forth in Exhibit 10.1 hereto (to the extent applicable).

2.2 Purchaser shall have 10 working days after receipt of the Knoll India Closing Net Asset Value Statement during which it may review such Closing Net Asset Value Statement, and raise in writing and in reasonable detail any objections against specified items such Closing Net Asset Value Statement, indicating precisely the higher or lower value which in Purchaser's opinion should be allocated to each item in dispute. During this period of time, Purchaser and its auditors shall be granted access to all relevant information produced by Seller or Seller's Auditors. Any item in the Knoll India Closing Net Asset Value Statement objected to by Purchaser shall hereinafter be referred to as an "Knoll India Disputed Item".

2.3 If and insofar as Purchaser does not raise objections to the Knoll India Closing Net Asset Value Statement in accordance with Section 2.2 above, the Closing Net Asset Value arrived at in the Knoll India Closing Net Asset Value Statement shall be final and binding upon the parties. To the extent that the Net Asset Value arrived at in the Knoll India Closing Net Asset Value Statement is final and binding upon the parties, the adjustment payment to be made by Purchaser or Seller according to Section 1 above shall be made in accordance with such Section.

2.4 The parties shall use their best efforts to resolve the Knoll India Disputed Items within 15 working days following the receipt by Seller of Purchaser's objections pursuant to Section 2.3 above.

2.5 Any Knoll India Disputed Items not resolved pursuant to Section 2.4 above shall be submitted by the parties to Ernst & Young for review. Should Ernst & Young become unavailable, the parties shall mutually agree on another accounting firm of international standing.

2.6 In rendering its decision, the accounting firm shall consider only the Knoll India Disputed Items and, with respect to each such Knoll India Disputed Item, shall stay within the range of the values allocated to it by the parties. The accounting firm shall deliver in writing to Seller and Purchaser as promptly as practicable its determination of the Knoll India Disputed Items stating the reasons of its decision. The reasons shall specifically

address the arguments brought forward by the parties with respect to each Knoll India Disputed Item. Such determination shall be final and binding upon the parties absent manifest mathematical errors. The accounting firm shall allocate its fees to the parties in accordance with Sections 91 et seq. of the German Civil Procedure.

2.25. A new Exhibit 11.1.1(d) to the Purchase Agreement is hereby created and is as follows:

EXHIBIT 11.1.1(d)

The Hokuriku Shares owned by Lupharma and Transpharm shall be duly and validly transferred by Lupharma and Transpharm directly to the Seller, and the Seller shall duly and validly transfer such shares directly to KPC pursuant to the Share Sale and Transfer Agreement ("KPC Hokuriku Shares Agreement"). For the avoidance of doubt, such shares, as transferred to KPC, shall, for purposes of the Purchase Agreement, be deemed "Shares."

At Closing, the Promissory Note issued by KPC pursuant to the KPC Hokuriku Shares Agreement is hereby assigned to Purchaser by its holder upon payment of the Aggregate Purchase Price.

Any stamp or transfer taxes or VAT incurred in connection with the transfers contemplated by this Exhibit 11.1.1(d) shall be borne by Purchaser.

Purchaser shall not make any Section 338(h)(10) election with respect to the acquisition by it of the Hokuriku Shares.

2.26. A new Exhibit 11.1.1(e) to the Purchase Agreement is hereby created and is as follows:

EXHIBIT 11.1.1(e)

1. (a) Seller shall cause the Shares of Knoll Pharmaceuticals Ltd. (India) ("Knoll India") owned by Lupharma to be duly and validly transferred by Lupharma to a newly-formed corporation organized under the laws of the United Kingdom and wholly owned by the Seller or any Affiliate of Seller other than the Companies ("BASF UK Public Holding Company").

   (b) Seller shall then cause, on the Closing Date, all of the issued and outstanding shares of BASF UK Public Holding Company to be duly and validly transferred to the Purchaser entity, Abbott Equities Holdings Limited, a U.K. company.

2. Seller shall cause the Shares of Knoll International Ltd. (India) ("Knoll Private") owned by Knoll AG to be duly and validly transferred by Knoll

AG to a newly-formed corporation (other than BASF UK Public Holding Company) that is organized under the laws of the United Kingdom and wholly owned by the Seller or any Affiliate of Seller other than the Companies ("BASF UK Private Holding Company").

3. Any stamp or transfer taxes or VAT incurred in connection with the transfers contemplated by paragraphs 1(a) and 2 of this Exhibit 11.1.1(e) (the "India Transfers") shall be borne by Purchaser.

4. For the avoidance of doubt, in addition to Knoll India, the BASF UK Public Holding Company shall, for purposes of the Purchase Agreement, be deemed an "Other Foreign Subsidiary."

2.27. A new Exhibit 12.2(d) to the Purchase Agreement is hereby created and is as follows:

EXHIBIT 12.2(d)

EXCLUDED COMPANIES

1. Boots Galenika d.o.o. (Yugoslavia)
2. Knoll Polska Sp zoo (Poland)
3. Knoll Pharmaceutical PTE Ltd. (Singapore)
4. Knoll AG & Co OHG
5. Minden Farmaceutical Lda.
6. Knoll International Private Ltd. (India) and BASF UK Private Holding Company
7. Latinoamericana de Farmacos Lda. (Colombia)
8. BASF Management Services S.A. (Spain)
9. Knoll Centroamericana (Guatemala)
10. Transpharm, Inc.

2.28. Exhibit 8.1 is amended and restated in its entirety as attached hereto as Exhibit 8.1.

2.29. Exhibit 13.21 to the Purchase Agreement is hereby amended by deleting therefrom "Development and Distribution Agreement between Knoll, Ltd. and Byk Gulden, dated May 1, 1996."

2.30. A new Exhibit 13.29 to the Purchase Agreement is hereby created and is attached hereto as Exhibit 13.29.

2.31. A new Exhibit 15.1(I)(d) to the Purchase Agreement is hereby created and is attached hereto as Exhibit 15.1(I)(d).

2.32. The Purchase Agreement is hereby amended by replacing, in every provision in which it occurs, the existing term "Separate Sale and Transfer Contracts" with the term "Separate Transfer Contracts."

SECTION 3
MISCELLANEOUS

3.1. Notices. All notices, statements and other communications to be given with respect to this Amendment 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
Telefax: 49.621.60.20410

If to Purchaser: Abbott Laboratories
One Abbott Park Road
Abbott Park, Illinois 60053-3500
Telephone: 847-937-6100
Attn: General Counsel

3.2. Entire Agreement; Written Form.

(a) The Purchase Agreement as amended by this Amendment constitutes the entire agreement and supersedes 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 Amendment, the English version shall govern.

(b) Any changes in this Amendment 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.

3.3. Assignment; Set-off.

(a) Neither Seller nor Purchaser may assign any rights or obligations under this Amendment to any third party without the consent of the respective other party.

(b) Purchaser shall not be entitled to offset any claim it may have against Seller (whether under this Amendment or otherwise) against the claim of Seller for payment of the Aggregate Purchase Price pursuant to Section 8 of the Purchase Agreement as amended by this Amendment unless Purchaser's claim has become final (rechtskraftig) or is undisputed.

3.4. Governing Law, Jurisdiction.

(a) This Amendment 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 Amendment, all disputes arising out of or in connection with this Amendment, 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; the language of the arbitration shall be English.

3.5. Expenses.

(a) Except as specifically provided otherwise in this Amendment, each party shall bear its own expenses and fees (including attorneys', accountants', consultants' and advisors' fees) in connection with this Amendment or any of the transactions contemplated herein, including any merger control filing and filings with other governmental authorities made by such party.

(b) Fees and costs triggered by the implementation of this Amendment, including but not limited to any notarial fees, any transfer or sales Tax (including value added Tax and stamp duties and property transfer

Tax according to Section 5 para 3 Grunderwerbssteuergesetz), any registration or publication fees shall be borne by Purchaser.

3.6. Severability. Should any of the provisions of this Amendment be or become fully or partly invalid or unenforceable, the remainder of the Amendment 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 Amendment shall be filled by a provision which the parties as prudent businessmen would in good faith have agreed to, had they considered the matter not covered by this Amendment.

EXHIBIT 13.29

CHAIN OF TITLE OF 66.67 % SHAREHOLDING IN HOKURIKU
SINCE JANUARY 1, 2000

January 1, 2000:	Knoll AG (direct 100% subsidiary of BASF AG since before 2000) owns 66.67% of the shares in Hokuriku
June 2000:	Lupharma GmbH and Transpharm GmbH each acquired 33.335% of the shares in Hokuriku from Knoll AG. Lupharma and Transpharm are, at the time of such acquisition, each 100% owned by Knoll AG and therewith indirectly by BASF AG since before January 1, 2000
June 2000:	Subsequent to the acquisition of the said shares in Hokuriku, Lupharma GmbH and Transpharm GmbH were sold to BASF AG and then contributed to BASF Pharma Holding GmbH, which is and has been a 100% BASF AG, wholly owned subsidiary since before 2000.

EXHIBIT 15.1(I)(d)

ABBOTT LABORATORIES
BASF Pharma - Protium - Total Worldwide
($MM)

ABBOTT FORECAST

	Total Abbott Net Sales	Earnings Before Interest & Taxes	Working Capital Cash Flow
2001	24.0	7.9	(5.7)
2002	35.0	11.6	(2.7)
2003	37.0	14.1	(0.7)
2004	39.0	14.8	(0.5)
2005	41.0	17.6	(0.6)
2006 --	43.0	18.5	(0.5) -

- Total Cash Flow			
2.2	8.9		
	13.4		
	14.3		
	17.0		
	18.0		

2001-2006 NPV @ 12.5% 51.4

EXHIBIT 12.5

DEFERRED CLOSINGS

COMPANY/COUNTRY	REASON ALLOCATED	PURCHASE PRICE
Knoll Columbiana S.A.	Laboratorio Competition law	$ 18,000,000
Farmaceutico/Columbia		
Knoll spol. sro./Slovak Republic	Competition law/embassy approval	of 2,100,000
transfer documents		
Knoll Pharmaceuticals South Africa Pty. Ltd./South Africa	Competition law	8,300,000
- Knoll Produtos Quimicos e Farmaceuticos Ltda./Brazil	Funds flow/central bank	100,000,000
Knoll spol. s. r. o./Czech Republic	Documentation translation requirements	3,600,000
Knoll		

International Private Ltd./India 6,800,000 Private Holding Company - -- ---------- - ---------- ---------- Total $ 138,800,000 - ------ ---------- ----------

EXHIBIT 8.1

Amount in USD 000 Knoll Argentina SA 10,400 Knoll Australia Pty. Ltd. 21,000 EBEWE Arzneimittel GmbH 72,000 Knoll Produtos Quimicos e Farmaceuticos Ltda. 100,000 Knoll Belgium S.A. N.V. 14,300 Knoll Colombiana S.A. 18,000 Knoll spol. s.r.o. (Czech Republic) 3,600 Laboratoires Knoll France S.A. 125,000 Knoll AG 3,281,000 Lupharma UK Holding I, Ltd. 57,570 (Knoll Pharmaceuticals Ltd.) Lupharma UK Holding II, Ltd. 6,800 Knoll Farmaceutici S.p.A. 152,000 Ravizza Farmaceutici S.p.A. 133,780 Knoll Japan KK 3,450 Quimica Knoll de Mexico S.A. de C.V. 50,000 Immobiliaria Candelaria S.A. 2,800 Knoll B.V. 956,300 Knoll Pharmaceuticals Ltd. (Pakistan) 15,550 Knoll spol. s.r.o. (Slovak Republic) 2,100 Knoll Pharmaceuticals South Africa Pty., Ltd. 8,300 Laboratorios Knoll, S.A. 106,000 Lufarma Espanola S.L. 11,400 Knoll Lakemedel AB

1,200 Knoll Bio-Research S.A. 59,400 Knoll AG (Liesthal) 63,600 Knoll Alman Ilac ve Ecza tic. Ltd. Sti 37,400 BASF Pharma Ltd. 0 Knoll Ltd. 93,000 BASF Pharmaceutical Corp. 1,356,050 Assets from BASF AG Transferred Patents 160,000 Licensed Patents 8,000 6,930,000

[GRAPHIC]

URKUNDE

des Notars

DR. NORBERT MEISTER

in Frankfurt am Main

Nummer 56 der Urkundenrolle fur 2001

[GRAPHIC]

RECORDED

at Frankfurt am Main on May 18, 2001

Before the undersigned notary public

DR. NORBERT MEISTER

with offices at Frankfurt am Main

appeared today:

1. Ms. Monika Wickel, having her business address at Taunusanlage 11, 60329 Frankfurt am Main, personally known, acting not in her own name but, excluding any personal liability whatsoever, in the name and on behalf of BASF Aktiengesellschaft, Ludwigshafen, Central Legal Department, 67056 Ludwigshafen, Germany, by way of a power of attorney a fax copy of which was presented to the notary public. Ms. Wickel stated that the original power of attorney will be submitted to the notary public in due course and that a certified copy of the power of attorney shall be attached to this deed.

- hereinafter referred to as "Seller"-

2. Mr. Thomas Gilles, who identified himself by his German identity card, Bethmannstrasse 50-54, 60311 Frankfurt am Main, acting not in his own name but in the name and on behalf of Abbott Laboratories, One Abbott Park Road, Abbott Park, Illinois 60053-3500, USA, by way of a power of attorney a fax copy of which was presented to the notary public. Mr. Gilles stated that the original power of attorney will be submitted to the notary public in due course and that a certified copy of the power of attorney shall be attached to this deed.

-hereinafter referred to as "Purchaser"-

The Notary asked about a prior involvement in the meaning of Section 3 para 1 no. 7 Notarization Act (BEURKUNDUNGSGESETZ) and received an affirmative reply with the proviso, that such prior involvement occurred upon request of all parties involved. The notary public advised the persons appeared of their right to demand a written translation into German or the assistance of an interpreter. The persons appeared expressly waived such right and demanded the immediate recording of the present deed.

The Parties appeared stated that this notarial deed should be notarized in English. The notary public who is in command of the English language ascertained that the Parties appeared are also in command of the English language. The Parties appeared waived their right to have this deed translated to them by a sworn interpreter.

The parties now therefore enter into the following:

SECOND AMENDMENT TO PURCHASE AGREEMENT
"SECOND AMENDMENT"

WHEREAS, Seller and Purchaser are parties to the Purchase Agreement dated as of December 14, 2000 (Number 194 of the Roll of Deeds for 2000 of 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 "Purchase Agreement" or the "Reference Deeds"), pursuant to which the Purchaser acquired the Shares and Transferred Patents (as such terms are defined in the Purchase Agreement); and

WHEREAS, any and all defined terms used in this present deed shall have

the same meaning as attached to them in the Purchase Agreement unless expressly stated otherwise herein;

WHEREAS, for the purpose of making reference to the Notarial Deeds, certified copies of the Reference Deeds were made available to the parties throughout the course of the present notarization. The content of the Reference Deeds is known to the Signatories and they waive their right to have the Reference Deeds read aloud and to have the Reference Deeds attached to this Deed.

WHEREAS, Seller and Purchaser have agreed to certain matters incidental to the actions to be taken by the parties subsequent to the Closing (as such term is defined in the Purchase Agreement) regarding the adjustment of the Non-Indian Purchase Price (as such term is defined in the Purchase Agreement as amended);

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties to the Purchase Agreement hereby agree as follows:

SECTION 1
DEFINTIONS

All initial capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Purchase Agreement.

SECTION 2
AMENDMENTS TO THE PURCHASE AGREEMENT

The Purchase Agreement is hereby amended as follows:

2.1 The first sentence of section 9.2 of the section of the Purchase Agreement entitled "Section 9, Non-Indian Purchase Price Adjustment" is hereby amended by replacing the phrase "The amount determined in accordance with Section 9.1 above" with the phrase "The amount determined in accordance with Section 10.5 below."

2.2 The section of the Purchase Agreement entitled "Section 10, Final Closing Net Asset Value Statement" is hereby amended by amending and restating Sections 10.4, 10.5 and 10.6 in their entirety as follows:

"10.4 Purchaser shall have until and including June 4, 2001 to review the Closing Net Asset Value Statement, and to raise in writing and in reasonable detail any objections against specified items of the Closing Net Asset Value Statement, indicating precisely the higher or lower value which in Purchaser's opinion should be allocated to each item in dispute. Purchaser and its auditors shall be granted access to all relevant information produced by Seller or Seller's Auditors; provided, however, that the work papers of Seller's Auditors shall be made available only to Pur-

chaser's Auditors. The objections raised by Purchaser pursuant to this section must also specify how the amounts in dispute should be allocated in Purchaser's opinion. Any item in the Closing Net Asset Value Statement objected to by Purchaser shall hereinafter be referred to as a "Disputed Item."

10.5 (a) If and insofar as Purchaser does not raise objections to the Closing Net Asset Value Statement in accordance with Section 10.4 above, the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement shall be final and binding upon the parties, subject to Section 10.5(b) below. To the extent to which the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement is final and binding upon the parties the adjustment payment to be made by Purchaser or Seller according to Section 9.1 shall be made forthwith, in accordance with Section 10.5(c) below.

(b) On May 23, 2001, Purchaser shall pay to Seller Euro 1,078,853,000 (in words: one billion seventy eight million eight hundred fifty-three thousand Euros). This payment represents Euro 1,064,307,000 (in words: one billion sixty-four million three hundred and seven thousand Euros) (the "Partial Adjustment Payment"), plus accrued interest in the amount of Euro 14,546,000 which has been calculated at a rate of six percent (6%) per annum from the Closing to the date of payment.

(c) When the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement is final and binding upon the parties, then any adjustment payment owed by one party to the other party pursuant to Section 9.1(b) or Section 9.1(c) above, shall first be reconciled against the amount of the Partial Adjustment Payment,

and such reconciled amount shall be paid to the party to whom it is due, pursuant to Section 9.2 above.

10.6 The parties shall use their best efforts to resolve the Disputed Items within 15 working days following receipt by Seller of Purchaser's objections pursuant to Section 10.4 above, and as part of such efforts the parties shall meet to discuss such Disputed Items during the week of June 17, 2001."

SECTION 3
MISCELLANEOUS

3.1 Notices. All notices, statements and other communications to be given with respect to this Second Amendment 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
Telefax: 49.621.60.20410

If to Purchaser: Abbott Laboratories
One Abbott Park Road
Abbott Park, Illinois 60053-3500
Telefax: 847-938-6277
Attn: General Counsel

3.2 Entire Agreement; Written Form.

(a) As amended by this Second Amendment, the Purchase Agreement shall remain in full force and effect and shall constitute the entire agreement and supersede 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 Second Amendment, the English version shall govern.

(b) Any changes in this Second Amendment 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.

(c) Neither party hereto waives any rights it may have under the Purchase Agreement, including any and all rights under Sections 10 (as amended hereby), 15 and 18 of the Purchase Agreement, or otherwise under applicable law in connection with this Second Amendment, the subject matter hereof, or by virtue of any payment made pursuant to Section 10.5 above, all of which rights are hereby expressly reserved.

3.3 Assignment. Neither Seller nor Purchaser may assign any rights or obligations under this Second Amendment to any third party without the consent of the respective other party.

3.4 Governing Law; Jurisdiction.

(a) This Second Amendment 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 Second Amendment, and except for the continuing applicability of the provisions of Sections 10.7 and 10.8 of the Purchase Agreement for the resolution of remaining Disputed Items described in Section 10.6 of the Purchase Agreement as amended by this Second Amendment, all disputes arising out of or in connection with this Second Amendment, 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.

3.5 Expenses.

(a) Except as specifically provided otherwise in this Second Amendment, each party shall bear its own expenses and fees (including attorneys', accountants', consultants' and advisors'

fees) in connection with this Second Amendment or any of the actions contemplated herein.

(b) Fees and costs triggered by the implementation of this Second Amendment, 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 para 3 Grunderwerbssteuergesetz), any registration or publication fees shall be borne by Purchaser.

3.6 Severability. Should any of the provisions of this Second Amendment be or become fully or partly invalid or unenforceable, the remainder of the Second Amendment 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 Second Amendment shall be filled by a provision which the parties as prudent businessmen would in good faith have agreed to, had they considered the matter not covered by this Second Amendment.

The above was read out aloud by the notary public, approved by the parties appearing, and then signed by them and the notary public in their own hand as follows:

gez. Monika Wickel
gez. Thomas Gilles
gez. Meister, Notar

[BASF Aktiengesellschaft LETTERHEAD]

BASF Aktiengesellschaft - 67056 Ludwigshafen

VOLLMACHT

Hiermit erteilen wir

HERRN WALTER KNAUS,

FRAU SABINE GERTH,

FRAU DAGMAR ROTH und

FRAU MONIKA WICKEL

- - jedem fur sich alleine -

Vollmacht, BASF Aktiengesellschaft bei der notariellen Beurkundung des beigefugten "Second Amendment to Purchase Agreement" zwischen BASF Aktiengesellschaft und Abbott Laboratories am 18.05.2001 zu vertreten.

Ludwigshafen, 18.05.2001

BASF Aktiengesellschaft

/s/ Dr. Heinz-Gerd Goldmann	/s/ Joachim Scholz
- ----------	----------
Dr. Heinz-Gerd Goldmann	Joachim Scholz
Prokurist	Prokurist

SECOND AMENDMENT TO PURCHASE AGREEMENT

This SECOND AMENDMENT TO PURCHASE AGREEMENT, dated as of May 18, 2001, ("Second Amendment") is between BASF Aktiengeselleschaft ("Seller") and Abbott Laboratories ("Purchaser").

WITNESSETH

WHEREAS, Seller and Purchaser are parties to the Purchase Agreement dated as of December 14, 2000 (Number 194 of the Roll of Deeds for 2000 of 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 "Purchase Agreement"), pursuant to which the Purchaser acquired the Shares and Transferred Patents (as such terms are defined in the Purchase Agreement); and

WHEREAS, Seller and Purchaser have agreed to certain matters incidental to the actions to be taken by the parties subsequent to the Closing (as such term is defined in the Purchase Agreement) regarding the adjustment of the Non-Indian Purchase Price (as such term is defined in the Purchase Agreement);

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties to the Purchase Agreement hereby

agree as follows:

SECTION 1
DEFINITIONS

All initial capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Purchase Agreement.

SECTION 2
AMENDMENTS TO THE PURCHASE AGREEMENT

The Purchase Agreement is hereby amended as follows:

2.1 The first sentence of section 9.2 of the section of the Purchase Agreement entitled "Section 9, Non-Indian Purchase Price Adjustment" is hereby amended by replacing the phrase, "The amount determined in accordance with Section 9.1 above" with the phrase, "The amount determined in accordance with Section 10.5 below."

2.2 The section of the Purchase Agreement entitled "Section 10, Final Closing Net Asset Value Statement" is hereby amended by amending and restating Sections 10.4, 10.5 and 10.6 in their entirety as follows:

10.4 Purchaser shall have until and including June 4, 2001 to review the Closing Net Asset Value Statement, and to raise in writing and in reasonable detail any objections against specified items of the Closing Net Asset Value Statement, indicating precisely the higher or lower value which in Purchaser's opinion should be allocated to each item in dispute. Purchaser and its auditors shall be granted access to all relevant information produced by Seller or Seller's Auditors; provided, however, that the work papers of Seller's Auditors shall be made available only to Purchaser's Auditors. The objections raised by Purchaser pursuant to this section must also specify how the amounts in dispute should be allocated in Purchaser's opinion. Any item in the Closing Net Asset Value Statement objected to by Purchaser shall hereinafter be referred to as a "Disputed Item."

10.5 (a) If and insofar as Purchaser does not raise objections to the Closing Net Asset Value Statement in accordance with Section 10.4 above, the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement shall be final and binding upon the parties, subject to Section 10.5(b) below. To the extent to which the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement is final and binding upon the parties the adjustment payment to be made by Purchaser or Seller according to Section 9.1 shall be made forthwith, in accordance with Section 10.5(c) below.

(b) On May 23, 2001, Purchaser shall pay to Seller Euro 1,078,853,000. This payment represents Euro 1,064,307,000 (the "Partial Adjustment Payment"), plus accrued interest in the amount of Euro 14,546,000 which has been calculated at a rate of six percent (6%) per annum from the Closing to the date of payment.

(c) When the Closing Net Asset Value arrived at in the Closing Net Asset Value Statement is final and binding upon the parties, then any adjustment payment owed by one party to the other party pursuant to Section 9.1(b) or Section 9.1(c) above, shall first be reconciled against the amount of the Partial Adjustment Payment, and such reconciled amount shall be paid to the party to whom it is due, pursuant to Section 9.2 above.

10.6 The parties shall use their best efforts to resolve the Disputed Items within 15 working days following receipt by Seller of Purchaser's objections pursuant to Section 10.4 above, and as part of such efforts the parties shall meet to discuss such Disputed Items during the week of June 17, 2001.

SECTION 3
MISCELLANEOUS

3.1 Notices. All notices, statements and other communications to be given with respect to this Second Amendment 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 Atiengeselleschaft
Central Legal Department
67056 Ludwigshafen, Germany
Telefax: 49.621.60.20410

If to Purchaser: Abbott Laboratories
One Abbott Park Road
Abbott Park, Illinois 60053-3500
Telefax: 847-938-6277

Attn: General Counsel

3.2 Entire Agreement; Written Form.

(a) As amended by this Second Amendment, the Purchase Agreement shall remain in full force and effect and shall constitute the entire agreement 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 Second Amendment, the English version shall govern.

(b) Any changes in this Second Amendment 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.

(c) Neither party hereto waives any rights it may have under the Purchase Agreement, including any and all rights under Sections 10 (as amended hereby), 15 and 18 of the Purchase Agreement, or otherwise under applicable law in connection with this Second Amendment, the subject matter hereof, or by virtue of any payment made pursuant to Section 10.5 above, all of which rights are hereby expressly reserved.

3.3 Assignment. Neither Seller nor Purchaser may assign any rights or obligations under this Second Amendment to any third party without the consent of the respective other party.

3.4 Governing Law; Jurisdiction

(a) This Second Amendment 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 Second Amendment, and except for the continuing applicability of the provisions of Sections 10.7 and 10.8 of the Purchase Agreement for the resolution of remaining Disputed Items described in Section 10.6 of the Purchase Agreement as amended by this Second Amendment, all disputes arising out of or in connection with this Second Amendment, 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.

3.5 Expenses

(a) Except as specifically provided otherwise in this Second Amendment, each party shall bear its own expenses and fees (including attorneys', accountants', consultants' and advisors' fees) in connection with this Second Amendment or any of the actions contemplated herein.

(b) Fees and costs triggered by the implementation of this Second Amendment, 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 para 3 Grunderwerbssteuergesetz), any registration or publication fees shall be borne by Purchaser.

3.6 Severability. Should any of the provisions of this Second Amendment be or become fully or partly invalid or unenforceable, the remainder of the Second Amendment 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 Second Amendment shall be filled by a provision which the parties as prudent businessmen would in good faith have agreed to, had they considered the matter not covered by this Second Amendment.

[to be added at end: powers of attorney, certificates, apostile etc. for each party]

Vorstehende Ablichtung Stimmt mit der Urschrift wortlich uberein.

Frankfurt am Main, den

25. MAI 2001 /s/ Dr. Norbert Meister
- ----------

Notar

[STATE OF ILLINOIS SECRETARY OF STATE SEAL]

APOSTILLE

(Convention de La Haye du 5 Octobre 1961)

1. Country: United States of America

This public document

2. has been signed by MARY TAMARRI

3. acting in the capacity of NOTARY PUBLIC, LAKE COUNTY

4. bears the seal/stamp of STATE OF ILLINOIS

Certified

5. Springfield, Illinois

6. MAY 15, 2001

7. by the Secretary of State, State of Illinois

8. No. 5285

9. Seal/Stamp:

10. Signature

/s/ Jesse White

JESSE WHITE
SECRETARY OF STATE
STATE OF ILLINOIS

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

Matthias Jaletzke
with business address at
Baker & McKenzie
Frankfurt, Germany

Thomas Gilles
with business address at
Baker & McKenzie
Frankfurt, Germany

Henrik Bauwens
with business address at
Baker & McKenzie
Frankfurt, Germany

Peter Gullo
with business address at
Baker & McKenzie
Frankfurt, Germany

and

Katharina Spenner
with business address at
Baker & McKenzie
Frankfurt, Germany

each singly to 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 and any matters related thereto, 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 GmbH, formerly 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 of 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, and they shall be authorized to pass on this release to any recipient of a substitute or additional Power of Attorney.

ABBOTT LABORATORIES

Illinois, 14 day of May 2001

by:

/s/ Thomas C. Freyman
- ----------------------------------
Thomas C. Freyman, 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 Thomas C. Freyman, 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 signed and delivered this certificate pursuant to authority duly given to him by said corporation.

GIVEN under my hand and seal this 14 day of May, 2001.

[OFFICIAL SEAL]

/s/ Mary Tamarri
- ------------------------

Notary Public

My Commission expires: 8/14/04

Vorstehende Ablichtung stimmt mit der Urschrift wortlich uberein.

Frankfurt am Main, den

22. MAI 2001 /s/ Dr. Norbert Meister
- -------------- ------------------------
Notar

Beglaubigte Abschrift

[STATE OF ILLINOIS SEAL]

APOSTILLE

(Convention de La Haye du 5 Octobre 1961)

1. Country: United States of America

This public document

2. has been signed by MARY TAMARRI

3. acting in the capacity of NOTARY PUBLIC, LAKE COUNTY

4. bears the seal/stamp of STATE OF ILLINOIS

Certified

5. Springfield, Illinois

6. MAY 15, 2001

7. by the Secretary of State, State of Illinois

8. No. 5284

9. Seal/Stamp:

10. Signature:

/s/ Jesse White

JESSE WHITE
SECRETARY OF STATE
STATE OF ILLINOIS

CERTIFICATION

This is to certify that I, Brian J. Smith, am Assistant Secretary of Abbott Laboratories and duly qualified and acting as such; that Abbott Laboratories is a corporation duly organized and existing under the laws of

the State of Illinois with its principal office in Abbott Park, Lake County, Illinois; that as such Assistant Secretary I am keeper of its books and records and its corporate seal; that the attached Resolution is a true, complete and correct copy of the Resolution passed by the Board of Directors of Abbott Laboratories at a meeting held on December 8, 2000.

Given under my hand as Assistant Secretary and the seal of the Corporation this 14 day of May, 2001.

/s/ Brian J. Smith

Assistant Secretary

SUBSCRIBED and SWORN to before me

This 14 day of May, 2001.

[OFFICIAL SEAL]

/s/ Mary Tamarri
- ---

NOTARY PUBLIC

My Commission Expires 8/14/04

WHEREAS, BASF AG and certain of its affiliates, including Knoll AG ("BASF"), is divesting its global pharmaceutical products business, including the capital stock of BASF subsidiaries engaged in such business (the "BASF Pharma Group"), and has requested various companies, including the Corporation, to submit a binding offer for the BASF Pharma Group; and

WHEREAS, the Board of Directors of the Corporation has determined that it is desirable for the Corporation to submit a binding offer for the BASF Pharma Group (the "Offer") and, if such Offer is accepted, to negotiate for the purchase of the BASF Pharma Group by the Corporation (the "Acquisition"); and

WHEREAS, this Board of Directors has reviewed and considered the Acquisition.

NOW, THEREFORE, BE IT RESOLVED, that the Chairman of the Board and Chief Executive Officer, the Executive Vice President, Pharmaceuticals and Chief Scientific Officer, the Senior Vice President, Pharmaceutical Operations, the Senior Vice President, International Operations, and the Senior Vice President Finance and Chief Financial Officer (the "Authorized Officers") are, and each of them is, hereby authorized and directed on behalf of the Corporation to submit the Offer, including price terms and conditions presented at this meeting and, in the event that the Corporation's Offer is accepted, to proceed with negotiations for the purchase of the BASF Pharma Group at a total cash purchase price not to exceed $_*_____.

FURTHER RESOLVED, that the Authorized Officers are, and each of them hereby is, authorized to do or perform, or cause to be done or performed, all such acts, deeds and things (including the payment of all necessary expenses and the retention of the services of attorneys, investment bankers and others) and to negotiate, execute and deliver in the name of and on behalf of the Corporation, any and all agreements (including without limitation a definitive purchase agreement), undertakings, documents, government filings, instruments, or certificates or amendments thereto as each such Authorized Officer deems necessary or desirable to effectuate and carry out fully the purpose and intent of the foregoing resolution; and

FURTHER RESOLVED, that the corporate seal of the Corporation may be affixed to any instrument or document executed pursuant to any of the foregoing resolutions by impressing or affixing such seal thereon or by imprinting or otherwise reproducing thereon a facsimile thereof.

Intentionally left blank

Vorstehende Ablichtung stimmt mit der Urschrift wortlich uberein.

Frankfurt am Main, den

22 MAI 2001 /s/ Dr. Norbert Meister
- --- ---
Notar

[STATE OF ILLINOIS LETTERHEAD]

APOSTILLE

(Convention de La Haye du 5 Octobre 1961)

1. Country: United States of America

This public document

2. has been signed by MARY TAMARRI

3. acting in the capacity of NOTARY PUBLIC, LAKE COUNTY

4. bears the seal/stamp of STATE OF ILLINOIS

Certified

5. Springfield, Illinois

6. MAY 15, 2001

7. by the Secretary of State, State of Illinois

8. No. 5286

9. Seal/Stamp:

10. Signature:

/s/ Jesse White

JESSE WHITE
SECRETARY OF STATE
STATE OF ILLINOIS

CERTIFICATE OF INCUMBENCY

I, Brian J. Smith, do hereby certify that I am the duly elected and qualified Assistant Secretary and keeper of the records and corporate seal of Abbott Laboratories, a corporation organized and existing under the laws of the State of Illinois, and that the following person has been duly elected to the office set forther after his name by the Board of Directors of Abbott Laboratories, and that this person is the present incumbent of the said office.

NAME	TITLE
Thomas C. Freyman	Senior Vice President, Finance and Chief Financial Officer

Given under my hand as Assistant Secretary and the seal of the Corporation this 14 day of May, 2001.

/s/ Brian J. Smith

Assistant Secretary

SUBSCRIBED and SWORN to before me
this 14 day of May, 2001.

/s/ Mary Tamarri [NOTARY PUBLIC SEAL]
- ---

NOTARY PUBLIC
My Commission Expires 8/14/04

Vorstehende Ablichtung, stimmt
mit der Urschrift wortlich uberein.

Frankfurt am Main, den

22. MAI 2001 /s/ Dr. Norbert Meister
--- ---
Notar

NOTARIELLE BESCHEINIGUNG
(Section 21 BNot0)

Hiermit bescheinige ich auf der Grundlage der von mir veranlassten heutigen

Einsichtnahme in das Handelsregister beim Amtsgericht Ludwigshafen (HRB 3000), dass die Herren

DR. GERD HEINZ GOLDMANN UND
JOACHIM SCHOLZ

als Prokuristen der BASF Aktiengesellschaft mit Sitz in Ludwigshafen dort eingetragen sind und jeweils berechtigt sind, die genannte Gesellschaft mit einem Vorstandsmitglied oder einem anderen Gesamtprokuristen zu vertreten.

Frankfurt am Main, den 22. Mai 2001

/s/ Dr. Norbert Meister
(Dr. Norbert Meister)
Notar

[NOTAR SEAL]

Vorstehende Ablichtung stimmt
mit der Urschrift wortlich uberein.

Frankfurt am Main, den

25. MAI 2001 /s/ Dr. Norbert Meister
Notar

AGREEMENT AND THIRD AMENDMENT TO
PURCHASE AGREEMENT

This Agreement and Third Amendment to Purchase Agreement, dated July 23, 2001 (this "AGREEMENT") is by and between BASF Aktiengesellschaft ("SELLER") and Abbott Laboratories ("PURCHASER").

W I T N E S S E T H:

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 of 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) and 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), pursuant to which Purchaser acquired the Shares and Transferred Patents (collectively, the "PURCHASE AGREEMENT").

WHEREAS, Sections 9 and 10 of the Purchase Agreement provide for an adjustment of the Non-Indian Purchase Price according to the procedures described therein (the "ADJUSTMENT PROCEDURES");

WHEREAS, Exhibit 7.4 of the Purchase Agreement provides for the determination of the Knoll India Net Asset Value;

WHEREAS, in furtherance of the Adjustment Procedures, Deloitte & Touche GmbH ("D&T") issued an Auditor's Report, together with an opinion thereon, dated April 20, 2001 (collectively, the "D&T REPORT");

WHEREAS, Seller and Purchaser (the "PARTIES") have agreed to certain adjustments, described more particularly in EXHIBIT A-1 hereto, to the Closing Net Asset Value reflected in the D&T Report, and that such Closing Net Asset Value as so adjusted, as described more particularly in EXHIBIT A-2 hereto, shall be the "CLOSING NET ASSET VALUE" for purposes of this Agreement and Sections 9.1(b) and 9.1(c) of the Purchase Agreement;

WHEREAS, the Parties have agreed to defer their mutual obligation under Section 10.2 of the Purchase Agreement to allocate the amount by which the Closing Net Asset Value exceeds the Reference Net Asset Value (the "ADDITIONAL PURCHASE PRICE") until completion of the procedures described in Section 21.4 of the Purchase Agreement and as more particularly described herein;

WHEREAS, in connection with the Adjustment Procedures, Seller has agreed to reimburse Purchaser, and indemnify Purchaser against, certain matters and Damages, as described more particularly herein; and

WHEREAS, the Parties desire to amend (a) Section 18 of the Purchase Agreement to clarify its application to Closing Tax Assets (as defined in Section 4 of this Agreement), and (b)

Section 27.3 of the Purchase Agreement with respect to the application of such Section to Mexico.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and representations below, the Parties agree as follows:

1. CERTAIN DEFINITIONS.

Terms used in this Agreement with initial capital letters that are not otherwise defined in this Agreement will have the meanings given to them in the Purchase Agreement.

2. ADJUSTMENTS, PAYMENT AND ALLOCATION.

(a) The Closing Net Asset Value contained in the D&T Report set forth as Item A to Exhibit A-2 shall be adjusted in accordance with Exhibit A-1 hereto, and such Closing Net Asset Value as so adjusted, shall be EUR 2,082,600,000 and as such the "FINAL CLOSING NET ASSET VALUE."

(b) The Parties hereby acknowledge and agree that the amount of the Additional Purchase Price shall be EUR 1,332,200,000, of which EUR 1,064,300,000 was paid to Seller on May 23, 2001 leaving EUR 267,900,000 owing by Purchaser to Seller to be satisfied and to be paid as follows: (i) EUR 87,600,000 of net debt owing by BASF shall be forgiven as described in Items H and I on Exhibit A-2, and (ii) EUR 180,300,000, together with interest thereon at the rate of six percent (6%) per annum from March 2, 2001 to the date of payment, will be paid by Purchaser to Seller, within two (2) business days from the date of this Agreement, by transfer of immediately available funds to BASF AG, Konto: 0201000700, Commerzbank Ludwigshafen, BLZ 54540033, SWIFT COBADEFF545.

(c) The Parties further acknowledge and agree that upon the final determination and payment of the Seller or Purchaser Pension Indemnification Amount, if any, in accordance with the provisions in Section 21.4 of the Purchase Agreement (the "PENSION AMOUNT"), such Pension Amount will be netted against or added to, as the case may be, the Additional Purchase Price (as so adjusted, the "ADJUSTED ADDITIONAL PURCHASE PRICE"), and the Parties will agree upon allocations of the Adjusted Additional Purchase Price as provided in Section 5 of this Agreement.

3. INDEMNIFICATION AND REIMBURSEMENT.

(a) INDEMNIFICATION.

(i) Seller shall indemnify and hold harmless each member of the Purchaser Group from and against all Damages (including without limitation, costs and expenses of litigation, amounts paid in settlement and reasonable attorneys' fees) arising out of or related to any of the items or matters described on the disclosure letter (the "DISCLOSURE LETTER") to this Agreement (each, an "INDEMNIFIED ITEM"). With respect to each Indemnified Item, Purchaser shall have, or retain, as the case may be, full control of the defense and the proceedings, including the right to settle. If requested by Purchaser, Seller shall cooperate in good faith with Purchaser in order to contest effectively such claim.

(ii) If and to the extent a specific provision is set forth in the Disclosure Letter with respect to a Indemnified Item, Seller's liability for indemnification pursuant to Section 3(a)(i) of this Agreement shall be reduced by the amount of such provision.

(iii) Seller's liability for indemnification pursuant to Section 3(a)(i) of this Agreement above shall not exceed, for each Indemnified Item, the respective amounts set forth in the Disclosure Letter.

(iv) If the liabilities of the Purchaser Group as set forth in and established by the final order or judgment (without right of appeal) of the case described in Item 13 in the Disclosure Letter together with all Damages incurred by Purchaser Group in connection with such case (collectively, "ITEM 13 LIABILITIES") are less than 1,534,000 Euro, Purchaser shall pay to Seller an amount equal to (i) 1,534,000 Euro, minus (ii) the Item 13 Liabilities. If the Item 13 Liabilities are greater than 1,534,000 Euro, Seller shall pay to Purchaser an amount equal to (i) the Item 13 Liabilities, minus (ii) 1,534,000 Euro, but in no event greater than 1,634,000 Euro.

(b) NO LIMITATIONS. Seller's obligations set forth in this Section 3 shall be in addition to, independent of, and not be limited by, any provision included in the Purchase Agreement, including Section 15 thereof.

4. Section 18.1 is amended by deleting the first sentence thereof and substituting the following:

> Seller shall indemnify Purchaser on an After-Tax Basis against (i) any liability for Taxes relating to the Companies for any taxable period ending on or before the Closing Date and any Pre-Closing Straddle Period if and to the extent such liability exceeds the liabilities or accruals taken into account by the Closing Net Asset Value Statement for Taxes relating to said periods, PROVIDED, HOWEVER, that such obligation to indemnify shall be limited to the percentage of such liability that corresponds to the percentage of the direct or indirect ownership interest of Seller in the Companies sold hereunder and (ii) any permanent reduction in the nominal value (determined as of the Closing Date) of any Tax Asset included on the Closing Net Asset Value Statement resulting from an adjustment by any governmental tax authority of any item (including, without limitation, any loss carryforward, credit carryforward, deduction, or income inclusion) taken into account in determining such Tax Asset; PROVIDED that the indemnity under this clause (ii) shall include any penalty imposed by the relevant governmental tax authority related to such adjustment. Excluded are reductions to the extent due to changes in tax law after the Closing Date, expiration of items due to inability to utilize after the Closing Date, elections made by Purchaser after the Closing Date and business restructuring done by Purchaser after the Closing Date.

5. ALLOCATIONS. After the final determination and payment of the Pension Amount in accordance with Section 2(c) of this Agreement, the Parties will agree upon allocations of the Adjusted Additional Purchase Price in accordance with Section 10.2 of the Purchase Agreement.

The Parties acknowledge and agree that any payment made by Seller to Purchaser or any other member or Purchaser Group, or by Purchaser to Seller, pursuant to Section 3 of this Agreement shall be considered part of the Additional Purchase Price, and the Parties shall agree upon allocation(s) at such time(s) as appropriate. The Parties further acknowledge and agree that there will be no change to the purchase price allocation with respect to Knoll India, Hokuriku or Knoll Pakistan for any reason.

6. NON-COMPETE AMENDMENT. The section in the Purchase Agreement entitled "Section 27, Non-Compete Covenant" is hereby amended by adding the following to Section 27.3 after the word "Turkey" and before the word "shall": "and Mexico".

7. RESERVATION OF RIGHTS. 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 by Sections 4 and 6 hereof, 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 (as so amended). Purchaser specifically reserves its rights and remedies under the Purchase Agreement, the documents delivered in connection therewith and applicable law.

8. 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 Atiengeselleschaft
Central Legal Department
67056 Ludwigshafen, Germany
Telefax: 49.621.60.20410

If to Purchaser: Abbott Laboratories
One Abbott Park Road
Abbott Park, Illinois 60053-3500
Telefax: 847-938-6277
Attn: General Counsel

9. ENTIRE AGREEMENT; WRITTEN FORM.

(a) 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.

10. 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.

11. GOVERNING 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.

12. 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, any registration or publication fees shall be borne by Purchaser.

13. 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.

EXHIBIT A-1

Adjustments to Closing Net asset Value

KNOLL PHARMACEUTICAL DISPUTED ITEMS LISTING RESOLUTION AS OF JUNE 21, 2001

RESOLVED ISSUE #	RESOLVED COUNTRY	RESOLVED BASF	ABBOTT	
1	Consolidation Deferred Tax Balances as reported in the closing balance sheet	250.674	4.401	a
2	Consolidation Adjustment to exchange rates in effect as of 9/30/2000	48.200	46.500	x
3	Consolidation Equity Rollforward - Discontinued Operations	53.800		
4	Consolidation Equity Rollforward - Unreconciled Balance	55.700		
5	Consolidation Unreconciled Intercompany - Puerto Rico & Knoll BV	29.000		
6	Consolidation Unreconciled Intercompany	24.978		
7	Consolidation Tax effect of BASF PharmaChemikalien GmbH & Chemikalien GmbH sale	5.162		
8	Consolidation NonTrade Intercompany Balances	603		
9	Consolidation Knoll India - should be excluded from 9/30 & 3/2 balances	2.259		a
10	Consolidation Prepaid Insurance	5.693		a
11	Consolidation Prepaid Insurance	0		
12	Consolidation Inventory Valuation Reserves	0		
13	Consolidation Intercompany Receivables	18.584		
14	Consolidation Accounts Payable/Accrued Liabilities	0		
15	Argentina March sales recorded in February	48	120	a
16	Argentina Reserve for specific receivable risk	43		
17	Argentina Vacation Accrual	84		a
18	Argentina Asset Disposition	85		
19	Australia Unaccrued Diabetes Studies	18		a
20	Austria Loss from product failing testing in normal course of	70	71	a

production 21 Brazil Labor Relationship - 34 Sales Agencies 10.770 b 22 Brazil Foreign sales rep. in Uruguay 317 b 23 Brazil Labor-Required Compensation for Employees 1.647 b Without a Collective Bargaining Agreement 24 Brazil Labor Relationship - 27 Outsourced IT Personnel 1.571 b 25 Brazil Underaccrued Inventory reserves 662 26 Brazil Labor Relationship - 23 claims by outsourced workers; 923 b 16 claims by former employees 27 Brazil Ministry of Justice against several companies for abusive prices and falsification of materials 2.391 1.594 a 28 Brazil Receivable reserves 343 a 29 Brazil Labor - Failure to Account for Incentives for 285 b Dangerous and Hazardous Jobs 30 Brazil Civil lawsuit hazardous pay 186 b 31 Brazil Pre-closing work accident 0 32 Canada Liquidated damages for default (failed to make payments and market licensed product) by Knoll Canada under contract with BML Pharma 649 b 33 Canada Inventory - Returns accepted by Knoll on Synthroid in 232 300 a 1Q01 not in ordinary course 34 Canada Unaccrued Long-term Disability Obligations 200 a 35 Colombia Librapharma claims damages and lost profits from 471 b recall of products toll manufactured by Knoll; fine for recall by Colombia's FDA agency 36 Colombia Potential fines for violation of advertising 365 46 a statutes - 9 cases 37 Colombia Liquid Funds - Colombia Minority Interest 176 x 38 Colombia Unverified inventory in transit 81 87 a 39 Colombia Unsupported reconciliatory items on bank statement 86 40 France Tax Litigation with Innothera from which Boots 4.366 b Pharma S.A. was purchased 41 France Tax losses due to a tax consolidation agreement 833 between LKF and GNR Pharma 42 France Retirement Indemnity Provision 0 0 c 43 France Possible criminal offense related to personnel 0 lending service agreement 44 Germany Novartis Agreement 6.391 b 45 Germany International Arbitration - Greek distributor 1.643 b

claim it was agent under German law and entitled to termination and redundancy fees 46 Germany Patent claim for infringing Alfatec's 920 b Nanosol German and EU patents 47 Germany-Egypt Unrecorded liability for free product 301 255 a exported to Egypt 48 Germany Interco. Profit for Sibutramin 0 49 Germany Interco. Profit related to sale of intangible 0 assets (BASFIN and Boots) 50 Germany-Other Rep. Offices Cash Basis Reporting in Representative Offices 0 51 Hokuriku Underaccrued Inventory Reserves 208 225 a 52 Hokuriku Reconciliation of Hokuriku dividend 0 53 Italy Ravizza Goodwill 14.397 a 54 Italy Excess/Slow Moving Reserve for Quomen 510 1.500 a 55 Italy Understatement of receivable reserve 972 56 Italy Underaccrued inventory reserves 142 57 Italy Understatement of credit memo reserve 251 a 58 Italy Capitalization of Y2K and Euro Software 153 a 59 Italy Capitalization of Litio Carbonato 24 a 60 Mexico Adjustment to Labor Accruals 26 26 a 61 New Zealand Unaccrued Reductil post launch Monitoring Study 14 a 62 Pakistan Understatement of inventory reserve 16 29 a 63 Philippines Allowance for expired inventory 25 64 Poland Vacation, Bonuses, Mandatory Payments, and Travel 69 20 a Costs - Underaccruals 65 Poland Unaccrued Drug Monitoring Trials 214 215 a 66 Spain Termination benefit was not accrued 465 67 Taiwan Unaccrued Free Goods 41 68 United Kingdom Unamortized leasehold improvements on 1.481 a property where lease has expired 69 United Kingdom Restoration of leased property to same 630 conditon as start of lease term 70 United States Returns Reserve 3.294 a 71 United States Rejected Inventory 2.663 2.653 a 72 United States Underaccrual of rebate reserve related 7.808 b to Medco 73 United States SAMe Distribution Rights 5.407 a 74 United States Vacation Accrual 1.917 1.917 a 75 United States Investment in GPC 3.921 a 76 United States Sales Force/Mktg - payments for sales 1.879 1.879

a force and marketing expenses incurred prior to March 2 but not accrued 77 United States Meridia Voucher Program Underaccrual - Distributed 3.244 a vouchers for price discounts on purchases 78 United States Reduction in Payroll for Accrued Fringe 3.087 79 United States Promotion - payments for promotional activities 1.397 1.397 a incurred prior to March 2, but not accrued 80 United States Underaccrual of Medicaid reserve 1.239 1.239 a 81 United States Inventory Variance Capitalization 1.568 82 United States A/R uncorrectable 1.544 a 83 United States Excess inventories/commodities 1.478 a 84 United States Unrecorded A/P - Invoices not accrued at the plants 525 525 a 85 United States Boots General Integration Reserve 912 86 United States Reduction in Environmental Reserves 663 87 United States BHA Boots Product Liability Reserve 953 88 United States Manoplax Boots Product Liability Reserve 735 89 United States Accrued Expenses - Project Andrew 316 ---- -------- -------- - Sub total 489.788 23.282 146.927 ------- -------- --------- 659.997

Knoll Pharmaceutical
Disputed Items Listing

Resolution as of June 21, 2001 ---------- ---------- Resolved Resolved Issue # Country Resolved BASF Abbott - ----- --- ---------- --- ---------- ---------- -- ---------- NEW ITEMS 1 Hokuriku Unaccrued Vacation 649 649 a 2 Italy Intangibles 1.360 Italy Fixed Assets 1.002 1.002 a 3 Brazil Failure to Treat Performance Bonuses as Salary 779 b 4 Australia Omitted Receivables Reserve 46 Germany Aventis payment 1.075 1.075 a ---------- --- ------- ---------- Sub-total 4.132 3.505 ---------- ---------- 489.788 27.414 150.432 ========== ========== ========== GRAND TOTAL 667.634 ========== a Adjustment to NAV b Indemnification/Reimbursement c Include in pension true-up process. Abbott to notify Hewitt. x Include in liquid fund settlement GRAND TOTAL 150.432 INDEMNIFICATION/REIMBURSEMENT ITEMS 21,22,23,24,26,29,30,93 Brazil legal/labor matters

16.478 32 Canada/BML 649 35 Colombia/Librapharma 471 40 France/Boots 4.366 44 Germany/Novartis 6.391 45 Germany/Greek Distributor 1.643 46 Germany/Alfatec 920 72 United States/Medco 7.808 ---------- SUBTOTAL - INDEMNIFICATION/REIMBURSEMENT ITEMS 38.726 ---------- EXCHANGE ADJUSTMENT 46.500 COLOMBIA FUNDS 176 --------- --- Subtotal - NAV Adjustments, pretax 65.030 1 Deferred Taxes 4.401 9 India 2.259 ---------- 58.370 Average tax rate, as agreed 35% Tax effect 20.430 ------ ------ NAV Adjustments, net of tax 44.601 ========== ---------- ---------- ---------- ------ SUMMARY (THOUSAND EUROS) Resolved Abbott 150.432 Indemnification/Reimbursement Items 38.726 Addition to Deferred taxes (NAV adjustment) 20.430 Colombia funds 176 --------- Net Asset Adjustment agreed by BASF (Exhibit A-2/(D)) 91.101 ---------- ---------- ---------- --------

EXHIBIT A-2

NON-INDIAN PURCHASE PRICE ADJUSTMENT FOR THE BASF PHARMA BUSINESS(1)

(Euros; Amounts in millions) ---------- -- (A) Closing Net Asset Value as of March 2, 2001 (per Deloitte & Touche Report) 2.173,7 (B) Reference Net Asset Value as of September 30, 2000 (750,4) -- ---------- - (C) PURCHASE PRICE ADJUSTMENT PAYABLE BY ABBOTT TO BASF 1.423,3 (D) Net Asset Adjustments agreed by BASF AG per Exhibit A-1 (91,1) (E) Additional Purchase Price 1.332,2 (F) Partial Adjustment Payment by Abbott to BASF AG (May 23, 2001)

(1.064,3)

--- (G)
Adjusted payment amount
267,9 (H)
Settlement of amounts owing between Knoll GmbH and BASF AG (1)
Payment from Lupharma to Knoll GmbH 258,4 (2)
Payment from Knoll GmbH to BASF AG (Profit Transfer)
(170,8) ---
----- (3)
Due to Knoll GmbH
87,6 (I)
Forgiveness of net debt owed by Seller to Purchaser
(87,6) ---

(J)
PURCHASE PRICE ADJUSTMENT TO BE PAID BY ABBOTT TO BASF AG
180,3 (K)
Interest (6%) from March 2, 2001 to Payment Date (L)
Total amount to be paid by Abbott to BASF AG

- ---
(1) Does not reflect the Pension Amount that Seller may owe to Purchaser in accordance with the Section 21.4 of the Purchase Agreement.

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

Frankfurt am Main, den 26. Juli 2001

[DR. GERHARD PILGER SEAL]

/s/ Dr. Pilger
Dr. Pilger
N o t a r

Beglaubigte Abschrift

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".

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 of 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 26. Juli 2001

[DR. GERHARD PILGER SEAL]

/s/ Dr. Pilger
Dr. Pilger
N o t a r

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

Frankfurt am Main, den 26. Juli 2001

/s/ Dr. Pilger
Dr. Pilger
N o t a r

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 February 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

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.

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

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 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 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

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.

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, 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

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.

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 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 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

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.

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.

Amended effective
December 14, 2001

ABBOTT LABORATORIES 401(K) SUPPLEMENTAL PLAN

SECTION 1
INTRODUCTION

1.1 PURPOSE. This Abbott Laboratories 401(k) Supplemental Plan (the "Plan") is being established by Abbott Laboratories ("Abbott") to provide eligible management employees of Abbott an opportunity to accumulate capital for their retirement or other termination of employment in excess of the contributions allowed under the Abbott Laboratories Stock Retirement Plan ("Stock Plan").

1.2 EFFECTIVE DATE. The Plan shall be effective as of October 1, 1993.

1.3 ADMINISTRATION. The Plan shall be administered by the Compensation Committee (the "Committee") appointed by the Board of Directors of Abbott.

SECTION 2
ELIGIBILITY AND PARTICIPATION

2.1 PERSONS ELIGIBLE TO PARTICIPATE. Participation in the Plan shall be limited to employees who are serving as corporate officers of Abbott as of October 1, 1993 or who become corporate officers thereafter. The term "corporate officer" for purposes of the Plan shall mean an individual elected an officer of Abbott by its Board of Directors (or designated as such for purposes of the Plan by the Committee), but shall not include assistant officers. In the event an employee should cease to be a corporate officer of Abbott due to demotion, termination of employment or otherwise, such employee shall cease to be eligible to participate in the Plan and any contributions then being made on behalf of such employee shall immediately cease.

2.2 PARTICIPANT. An eligible employee may elect to participate in the Plan by electing to have contributions made on the employee's behalf as provided in Section 5.

SECTION 3
EMPLOYEE CONTRIBUTIONS

3.1 ALLOWABLE CONTRIBUTIONS. An eligible employee may elect to have his employer make "pre-tax contributions" on his behalf in an amount not greater than 18% in total of his compensation in any calendar year for services rendered to his employer. A pre-tax contribution made by an employer on behalf of a participant shall reduce the participant's compensation at the time of payment of such compensation. Each election hereunder shall be in writing, and shall be in multiples of 1% of compensation.

3.2 COMPENSATION. A participant's "compensation" shall have the same meaning as that term is used in Subsection 7-2 of the Stock Plan.

3.3 MAXIMUM EMPLOYEE CONTRIBUTIONS. Notwithstanding Subsection 3.1, in no event shall the sum of:

(a) the participant's total contributions, pre-tax contributions, supplemental deposits and supplemental pre-tax contributions made under the Stock Plan; plus

(b) the participant's total pre-tax contributions made under the Plan;

for any calendar year, exceed 18% of the employee's compensation for such year. In the event the limitation described in this subsection 3.3 would be exceeded for any participant, the participant's pre-tax contributions made under this Plan shall be reduced until the limit is not exceeded.

SECTION 4
EMPLOYER CONTRIBUTIONS

For the calendar year ending December 31, 1993, and for each subsequent calendar year, Abbott shall make a contribution on behalf of each participant in the Plan who makes pre-tax contributions ("basic contributions") under the Plan during such year at the rate of two percent (2%) of compensation in excess of, for calendar year 1993, Two Hundred Thousand Dollars ($200,000), and for calendar years subsequent to 1993, the limit in effect for such year under Section 401(a)(17), Internal Revenue Code of 1986, as amended. Such employer contribution shall be in an amount equal to the contribution the participant would have received under subsection 8-3 of the Stock Plan with respect to such basic contributions had such basic contributions been made under subsection 7-1 of the Stock Plan. A participant who suspends his basic contributions to the Plan during any calendar year shall receive an employer contribution under this Section 4 based on the basic contributions made by the participant during such year.

A contribution made by a participant under subsection 5.4 shall be considered a basic contribution for purposes of this Section 4 to the extent it includes contributions at the rate of two percent (2%) of compensation for 1993 in excess of Two Hundred Thousand Dollars ($200,000).

SECTION 5
ELECTIONS

5.1 ANNUAL ELECTIONS REQUIRED. Except as provided in subsections 5.2 and 5.3, a participant shall elect to make pre-tax contributions with respect to compensation earned in any calendar year, prior to the first day of such calendar year. Each such election shall be in writing, shall be filed with the Committee, shall be effective only for the calendar year for which made and, except as provided in subsection 5.2, shall be irrevocable. Notwithstanding subsection 5.2, an employee who fails to make an election under this subsection 5.1 for a calendar year may not contribute to the Plan during such year.

5.2 LIMITED CHANGES. A participant who has elected under subsection 5.1 to make pre-tax contributions for any calendar year, may increase or decrease such pre-tax contributions during such calendar year by filing a written election with the Committee. A participant may make no more than two such elections under this subsection 5.2 during such calendar year. Any election filed under this subsection 5.2 shall become effective for compensation earned no earlier then the first payroll period commencing after receipt of the election by the Committee. Any election filed under this subsection 5.2 shall remain in effect for compensation earned during the remainder of such calendar year unless changed by a subsequent election under this subsection 5.2.

5.3 NEWLY ELIGIBLE EMPLOYEES. A newly eligible employee (including employees who become eligible due to the adoption of the Plan) shall make the election described in subsection 5.1 within thirty (30) days of the date he is notified of his eligibility to participate in the Plan. Any such election shall become effective for compensation earned no earlier then the first payroll period commencing after receipt of the election by the Committee and shall remain in effect for the remainder of the then current calendar year unless changed as provided in subsection 5.2.

5.4 SPECIAL CONTRIBUTION FOR 1993. Employees who are serving as corporate officers of Abbott and who have established "Grantor Trusts" under the 1986 Abbott Laboratories Management Incentive Plan ("MIP") as of October 1, 1993, may elect to make a lump-sum contribution based on compensation earned during the period of January 1, 1993 through September 30, 1993 (the "Make-up Period") by filing an election with the Administrator and tendering payment in cash to such Grantor Trust of the amount of the contribution, not later than October 31, 1993. Any such contribution shall not exceed the maximum contribution allowed under subsection 3.3 based on the employee's Stock Plan contributions made, and compensation earned, during the Make-Up Period.

5.5 GRANTOR TRUST ELECTION. As part of the annual elections described in subsection 5.1, each participant may also elect to have his pre-tax and employer contributions for such year deposited in a "Grantor Trust" established by the participant under the circumstances and on the terms described in subsection 6.1. Any such election shall be irrevocable and shall apply to all pre-tax contributions made during, and employer contributions made for, such calendar year on behalf of such participant. If the participant fails to make an election under this subsection 5.5, the participant's pre-tax contributions made during, and employer contribution made for, such calendar year shall be retained by Abbott and shall not be deposited in a grantor trust in the future.

SECTION 6
FUNDING EMPLOYER AND EMPLOYEE CONTRIBUTIONS

6.1 CONTRIBUTIONS TO BE DEPOSITED IN GRANTOR TRUSTS. Each participant's pre-tax contributions and employer contributions which the participant has filed an election under subsection 5.5 shall be retained by Abbott and credited to a Grantor Trust Account established under subsection 7.1. As soon as practicable after the date the value of the participant's Grantor Trust Account exceeds Fifty Thousand Dollars ($50,000), the entire value of such account, less the approximate aggregate federal, state and local individual income taxes (determined under subsection 8.5) attributable to the Grantor Trust Account, shall be deposited in a "Grantor Trust" established by the participant, provided such trust is in a form which the Committee determines is substantially similar to the trust attached to this Plan as Exhibit A. The appropriate aggregate federal, state and local individual income taxes attributable to the Grantor Trust Account shall be paid directly to the participant.

6.2 CONTRIBUTIONS TO BE RETAINED BY ABBOTT. Each participant's pre-tax contributions and employer contributions for which the participant has not filed an election under subsection 5.5 shall be retained by Abbott and credited to a Deferred Account established under subsection 7.1.

6.3 AFTER ESTABLISHMENT OF GRANTOR TRUST. After a Grantor Trust has been established by a participant under subsection 6.1, all pre-tax contributions and employer contributions made thereafter for which the participant has filed an election under Subsection 5.5, shall be deposited in such Grantor Trust (less the approximate aggregate federal, state and local individual income taxes (determined under subsection 8.5) attributable to such contributions). Such deposits shall be made as soon as practicable after the last complete payroll period of the calendar quarter in which the contributions are made.

6.4 FUNDING SPECIAL CONTRIBUTION FOR 1993. The full amount of any

contribution made by a participant under subsection 5.4 shall be deposited in the participant's Grantor Trust established under subsection 5.1 of the MIP. Such participant's Trust Account established under subsection 5.2 of the MIP shall be credited with the sum of (a) the amount of such contribution, plus (b) the amount of the approximate aggregate federal, state and local individual income taxes (determined under subsection 6.7 of the MIP) attributable to the sum of paragraph (a) and (b) of this subsection 6.4. Thereafter, such contribution shall be treated for all purposes of the MIP as if it were an allocation paid under subsection 5.1 (b) of the MIP.

SECTION 7
ACCOUNTING

7.1 SEPARATE ACCOUNTS. The Committee shall maintain two separate Accounts, a "Deferred Account" and a "Trust Account" in the name of each participant. The Deferred Account shall be comprised of any pre-tax contributions made on behalf of the participant under subsection 3.1 and any employer contributions made on behalf of the participant under Section 4, for which the participant has not made an election under subsection 5.5, and any adjustments made pursuant to subsection 7.2. The "Trust Account" shall be comprised of any pre-tax contributions made on behalf of the participant under subsection 3.1 and any employer contributions made on behalf of the participant under Section 4, for which the participant has made an election under subsection 5.5, and any adjustments made pursuant to subsection 7.3.

7.2 ADJUSTMENT OF DEFERRED ACCOUNTS. As of the end of each calendar year, the Administrator shall adjust each participant's Deferred Account as follows:

(a) FIRST, charge an amount equal to any payments made to the participant during that year pursuant to subsections 7.9 or 7.10;

(b) NEXT, credit an amount equal to any pre-tax contributions and employer contributions made on behalf of such participant for that year for which the participant has not made an election under subsection 5.5; and

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to subsection 7.4.

7.3 ADJUSTMENT OF TRUST ACCOUNTS. As of the end of each calendar year, the Administrator shall adjust each participant's Trust Account as follows:

(a) FIRST, charge an amount equal to the product of: (i) any payments made to the participant during that year from the participant's Grantor Trust (other than distributions of trust earnings in excess of the Net Interest Accrual authorized by the administrator of the trust to provide for the Tax Gross Up under subsection 8.4); multiplied by (ii) a fraction, the numerator of which is the balance in the participant's Trust Account as of the end of the prior calendar year and the denominator of which is the balance of the participant's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to any pre-tax contributions and employer contributions made on behalf of the participant for that year for which the participant has made an election under subsection 5.5;

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to subsection 7.4.

7.4 INTEREST ACCRUALS ON ACCOUNTS. As of the end of each calendar year, a participant's Deferred Account and Trust Account shall be credited with interest equal to: (a) the average of the prime rates of interest charged by the two largest banks located in the City of Chicago on loans made by them as of January 1 and the end of each month of the calendar year plus (b) two hundred twenty-five (225) basis points. Such interest shall be credited on the conditions established by the Committee.

7.5 GUARANTEED RATE PAYMENTS. In addition to any employer contribution made on behalf of a participant for any calendar year pursuant to section 4, Abbott shall also make a payment to a participant's Grantor Trust (a "Guaranteed Rate Payment") for any year in which the net earnings of such trust do not equal or exceed the participant's Net Interest Accrual for that year. A participant's "Net Interest Accrual" for a year is an amount equal to: (a) the Interest Accrual credited to the participant's Trust Account for that year; less (b) the product of (i) the amount of such Interest Accrual, multiplied by (ii) the aggregate of the federal, state and local individual income tax rates (determined in accordance with subsection 8.5). The Guaranteed Rate Payment shall equal the difference between the participant's Net Interest Accrual and the net earnings of the participant's Grantor Trust for the year, and shall be paid within 90 days of the end of the calendar year.

7.6 DESIGNATION OF BENEFICIARIES. Subject to the conditions and limitations set forth below, each participant, and after a participant's death, each primary beneficiary designated by a participant in accordance with the provisions of this subsection 7.6, shall have the right from time to time to designate a primary beneficiary or beneficiaries and, successive or contingent beneficiary or beneficiaries to receive unpaid amounts from the participant's Deferred Account under the Plan. Beneficiaries may be a natural person or persons or a fiduciary, such as a trustee of a trust or the legal representative

of an estate. Any such designation shall take effect upon the death of the participant or such beneficiary, as the case may be, or in the case of any fiduciary beneficiary, upon the termination of all of its duties (other than the duty to dispose of the right to receive amounts remaining to be paid under the Plan). The conditions and limitations relating to the designation of beneficiaries are as follows:

(a) A nonfiduciary beneficiary shall have the right to designate a further beneficiary or beneficiaries only if the original participant or the next preceding primary beneficiary, as the case may be, shall have expressly so provided in writing; and

(b) A fiduciary beneficiary shall designate as a further beneficiary or beneficiaries only those persons or other fiduciaries who are entitled to receive the amounts payable from the participant's account under the trust or estate of which it is a fiduciary.

Any beneficiary designation or grant of any power to any beneficiary under this subsection may be exercised only by an instrument in writing, executed by the person making the designation or granting such power and filed with the Secretary of Abbott during such person's lifetime or prior to the termination of a fiduciary's duties. If a deceased participant or a deceased nonfiduciary beneficiary who had the right to designate a beneficiary as provided above dies without having designated a further beneficiary, or if no beneficiary designated as provided above is living or qualified and acting, the Committee, in its discretion, may direct distribution of the amount remaining from time to time to either:

(i) any one or more or all of the next of kin (including the surviving spouse) of the participant or the deceased beneficiary, as the case may be, and in such proportions as the Committee determines; or

(ii) the legal representative of the estate of the deceased participant or deceased beneficiary as the case may be.

7.7 NON-ASSIGNABILITY AND FACILITY OF PAYMENT. Amounts payable to participants and their beneficiaries under the Plan are not in any way subject to their debts and other obligations, and may not be voluntarily or involuntarily sold, transferred or assigned; provided that the preceding provisions of this section shall not be construed as restricting in any way a designation right granted to a beneficiary pursuant to the terms of subsection 7.6. When a participant or the beneficiary of a participant is under legal disability, or in the Committee's opinion is in any way incapacitated so as to be unable to manage his or her financial affairs, the Committee may direct that payments shall be made to the participant's or beneficiary's legal representative, or to a relative or friend of the participant or beneficiary for the benefit of the participant or beneficiary, or the Committee may direct the payment or distribution for the benefit of the participant or beneficiary in any manner that the Committee determines.

7.8 PAYER OF AMOUNTS ALLOCATED TO PARTICIPANTS. Any employer contribution made on behalf of a participant in the Plan and any interest credited thereto (and to other contributions) will be paid by the employer (or such employer's successor) by whom the participant was employed during the calendar year for which any amount was allocated, and for that purpose, if a participant shall have been employed by two or more employers during any calendar year the amount allocated under this Plan for that year shall be an obligation of each of the respective employers in proportion to the respective amounts of compensation paid by each of them in that calendar year.

7.9 MANNER OF PAYMENT. Subject to subsection 7.10, a participant shall elect the timing and manner of payment of each portion of his Deferred Account attributable to contributions made for any calendar year, at the time of his election for such calendar year under subsection 5.1. Notwithstanding subsection 5.2, any election made under this subsection 7.10 shall be irrevocable as to that portion of the Deferred Account to which the election relates. The participant may select a payment method from any of the following alternatives:

(a) Payment in a lump-sum as soon as practicable following the participant's retirement or other termination of employment; or

(b) Payment under any method allowed by the Committee for deferred accounts under the MIP.

7.10 PAYMENT UPON TERMINATION FOLLOWING CHANGE IN CONTROL. Notwithstanding any other provisions of the Plan, if employment of any participant with Abbott and its subsidiaries should terminate for any reason within five (5) years after the date of a Change in Control, the aggregate unpaid balance of the participant's Deferred Account and Trust Account, shall be paid to the participant in a lump sum within thirty (30) days following the date of such termination.

7.11 CHANGE IN CONTROL. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

(i) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the

"Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of Abbott;

(ii) The date the shareholders of Abbott approve a definitive agreement (A) to merge or consolidate Abbott with or into another corporation, in which Abbott is not the continuing or surviving corporation or pursuant to which any common shares of Abbott would be converted into cash, securities or other property of another corporation, other than a merger of Abbott in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of Abbott; or

(iii) The date there shall have been a change in a majority of the Board of Directors of Abbott within a twelve (12) month period unless the nomination for election by Abbott's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

7.12 PROHIBITION AGAINST AMENDMENT. The provisions of subsections 7.10, 7.11 and this subsection 7.12 may not be amended or deleted, nor superseded by any other provision of this Plan, during the period beginning on the date of a Change in Control and ending on the date five (5) years following such Change in Control.

SECTION 8
MISCELLANEOUS

8.1 RULES. The Committee may establish such rules and regulations as it may consider necessary or desirable for the effective and efficient administration of the Plan.

8.2 TAXES. Any employer shall be entitled, if necessary or desirable, to pay, or withhold the amount of any federal, state or local tax, attributable to any amounts payable by it under the Plan after giving the person entitled to receive such amount notice as far in advance as practicable, and may defer making payment of any amount with respect to which any such tax question may be pending unless and until indemnified to its satisfaction.

8.3 RIGHTS OF PARTICIPANTS. Employment rights of participants with Abbott and its subsidiaries shall not be enlarged or affected by reason of establishment of or inclusion as a participant in the Plan. Nothing contained in the Plan shall require Abbott or any subsidiary to segregate or earmark any assets, funds or property for the purpose of payment of any amounts which may have been deferred. The Deferred and Trust Accounts established pursuant to subsection 7.1 are for the convenience of the administration of the Plan and no trust relationship with respect to such Accounts is intended or should be implied. Participant's rights shall be limited to payment to them at the time or times and in such amounts as are contemplated by the Plan. Any decision made by the Committee which is within his sole and uncontrolled discretion, shall be conclusive and binding upon all persons whomsoever.

8.4 TAX GROSS UP. In addition to the employer contribution provided under Section 4, each participant (or, if the participant is deceased, the beneficiary designated under the participant's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his Trust Account. The "Tax Gross Up" shall approximate: (a) the amount necessary to compensate the participant (or beneficiary) for the net increase in the participant's (or beneficiary's) federal, state and local income taxes as a result of the inclusion in his taxable income of the income of the participant's Grantor Trust and any Guaranteed Rate Payment for that year; less (b) any distribution to the participant (or beneficiary) of his Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the participant (or beneficiary) for the net increase in the taxes described in (a) above as a result of the inclusion in his taxable income of any payment made pursuant to this subsection 8.4. Payment of the Tax Gross Up shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets.

8.5 INCOME TAX ASSUMPTIONS. For purposes of Sections 7 and 8, a participant's federal income tax rate shall be deemed to be the highest marginal rate of federal individual income tax in effect in the calendar year in which a calculation under those Sections is to be made, and state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and locality of the participant's residence on the date such a calculation is made, net of any federal tax benefits.

8.6 GENDER. For purposes of the Plan, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural and the plural shall include the singular.

8.7 MANNER OF ACTION BY COMMITTEE. A majority of the members of the Committee qualified to act on any particular question may act by meeting or by writing signed without meeting, and may execute any instrument or document

required or delegate to one of its members authority to sign. The Committee from time to time may delegate the performance of certain ministerial functions in connection with the Plan, such as the keeping of records, to such person or persons as the Committee may select. Except as otherwise expressly provided in the Plan, the costs of administration of the Plan will be paid by Abbott. Any notice required to be given to, or any document required to be filed with the Committee, will be properly given or filed if mailed or delivered in writing to the Secretary of Abbott.

8.8 RELIANCE UPON ADVICE. The Board of Directors and the Committee may rely upon any information or advice furnished to it by any Officer of Abbott or by Abbott's independent auditors, or other consultants, and shall be fully protected in relying upon such information or advice. No member of the Board of Directors or the Committee shall be liable for any act or failure to act on their part, excepting only any acts done or omitted to be done in bad faith, nor shall they be liable for any act or failure to act of any other member.

SECTION 9

AMENDMENT, TERMINATION AND CHANGE OF CONDITIONS RELATING TO PAYMENTS

The Plan will be effective from its effective date until terminated by the Board of Directors. The Board of Directors reserves the right to amend the Plan from time to time and to terminate the Plan at any time. No such amendment or any termination of the Plan shall reduce any fixed or contingent obligations which shall have arisen under the Plan prior to the date of such amendment or termination.

EXHIBIT A

IRREVOCABLE GRANTOR TRUST AGREEMENT

THIS AGREEMENT, made this _____ day of _____, __, by and between _____ of _____, Illinois (the "grantor"), and The Northern Trust Company located at Chicago, Illinois, as trustee (the "trustee"),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold certain benefits received by the grantor under the Abbott Laboratories 40l(k) Supplemental Plan, as it may be amended from time to time;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may be referred to as the "_____ 19__ Grantor Trust".

I-2. THE TRUST FUND The "trust fund" as at any date means all property then held by the trustee under this agreement.

I-3. STATUS OF THE TRUST. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4. THE ADMINISTRATOR. Abbott Laboratories ("Abbott") shall act as the "administrator" of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. Abbott will certify to the trustee from time to time the person or persons authorized to act on behalf of Abbott as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5. ACCEPTANCE. The trustee accepts the duties and obligations of the "trustee" hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II
DISTRIBUTION OF THE TRUST FUND

II-1. DEFERRED ACCOUNT. The administrator shall maintain a "deferred account" under the trust. As of the end of each calendar year, the administrator shall charge the deferred account with all distributions made from such account during that year; and credit such account with income and realized gains and charge such account with expenses and realized losses for the year.

II-2. DISTRIBUTIONS FROM THE DEFERRED ACCOUNT PRIOR TO THE GRANTOR'S DEATH. Principal and accumulated income credited to the deferred account shall not be distributed from the trust prior to the grantor's retirement or other termination of employment with Abbott or a subsidiary of Abbott (the grantor's "settlement date"); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the deferred

account for that year, with the balance of such income to be accumulated in that account. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the amounts from time to time credited to the deferred account to the grantor, if then living, either in a lump-sum payable as soon as practicable following the settlement date, or in a series of annual installments, with the amount of each installment computed by one of the following methods:

(a) The amount of each installment shall be equal to the sum of: (i) the amount credited to the deferred account as of the end of the year in which the grantor's settlement date occurs, divided by the number of years over which installments are to be distributed; plus (ii) the net earnings credited to the deferred account for the preceding year (excluding the year in which the grantor's settlement date occurs).

(b) The amount of each installment shall be determined by dividing the amount credited to the deferred account as of the end of the preceding year by the difference between (i) the total number of years over which installments are to be distributed, and (ii) the number of annual installment distributions previously made from the deferred account.

(c) Each installment (after the first installment) shall be approximately equal, with the amount comprised of the sum of: (i) the amount of the first installment, plus interest thereon at the rate determined under the Abbott Laboratories 401(k) Supplemental Plan, compounded annually; and (ii) the net earnings credited to the deferred account for the preceding year.

Notwithstanding the foregoing, the final installment distribution made to the grantor under this paragraph II-3 shall equal the total principal and accumulated income then held in the trust fund. The grantor, by writing filed with the trustee and the administrator on or before the end of the calendar year in which the grantor's settlement date occurs, may select either the lump-sum or an installment payment method and, if an installment method is selected, may select both the period (which may not be less than ten years from the end of the calendar year in which the grantor's settlement date occurred) over which the installment distributions are to be made and the method of computing the amount of each installment. In the absence of such a written direction by the grantor, installment distributions shall be made over a period of ten years, and the amount of each installment shall be computed by using the method described in subparagraph (a) next above. Installment distributions under this Paragraph II-2 shall be made as of January 1 of each year, beginning with the calendar year following the year in which the grantor's settlement date occurs. The administrator shall inform the trustee of the amount of each installment distribution under this paragraph II-2, and the trustee shall be fully protected in relying on such information received from the administrator.

II-3. DISTRIBUTIONS AFTER THE GRANTOR'S DEATH. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income thereof shall be distributed in a lump sum or, if the beneficiary is the grantor's spouse (or a trust for which the grantor's spouse is the sole income beneficiary), in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary's estate. If the grantor directs an installment method of distribution to a trust for which the grantor's spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be distributed in a lump sum to such trust. Despite the foregoing, if (i) the beneficiary is a trust for which the grantor's spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-3 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

II-4. FACILITY OF PAYMENT. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-5. PERPETUITIES. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

ARTICLE III
MANAGEMENT OF THE TRUST FUND

III-1. GENERAL POWERS. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

(a) Subject to the limitations of subparagraph (b) next below, to sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.

(b) To retain in cash such amounts as the trustee considers advisable; and to invest and reinvest the balance of the trust fund, without distinction between principal and income, in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government or in any mutual fund, common trust fund or collective investment fund which invests solely in such obligations; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.

(c) To deposit cash in any depositary (including the banking department of the bank acting as trustee) without liability for interest, and to invest cash in savings accounts or time certificates of deposit bearing a reasonable rate of interest in any such depositary.

(d) To invest, subject to the limitations of subparagraph (b) above, in any common or commingled trust fund or funds maintained or administered by the trustee solely for the investment of trust funds.

(e) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.

(f) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

(g) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(h) To compromise, contest, settle or abandon claims or demands.

(i) To give proxies to vote stocks and other voting securities, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.

(j) To hold securities or other property in the name of a nominee, in a depositary, or in any other way, with or without disclosing the trust relationship.

(k) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.

(l) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee considers necessary for its protection.

(m) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity, without liability for any loss that may result.

(n) To appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.

(o) To appoint or remove by written instrument any bank, wherever

located, as custodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.

(p) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on the advice of persons so employed without court action.

(q) To perform any and all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2. PRINCIPAL AND INCOME. Any income earned on the trust fund which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3. STATEMENTS. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4. COMPENSATION AND EXPENSES. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

ARTICLE IV
GENERAL PROVISIONS

IV-1. INTERESTS NOT TRANSFERABLE. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2. DISAGREEMENT AS TO ACTS. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any proper court.

IV-3. TRUSTEE'S OBLIGATIONS. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; and the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement.

IV-4. GOOD FAITH ACTIONS. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the trustee that it is acting according to this agreement will fully protect all persons dealing with the trustee.

IV-5. WAIVER OF NOTICE. Any notice required under this agreement may be waived by the person entitled to such notice.

IV-6. CONTROLLING LAW. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7. SUCCESSORS. This agreement: shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

ARTICLE V
CHANGES IN TRUSTEE

V-1. RESIGNATION OR REMOVAL OF TRUSTEE. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2. APPOINTMENT OF SUCCESSOR TRUSTEE. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3. DUTIES OF RESIGNING OR REMOVED TRUSTEE AND OF SUCCESSOR TRUSTEE. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the

date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

ARTICLE VI
AMENDMENT AND TERMINATION

VI-1. AMENDMENT. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

(a) The duties and liabilities of the trustee cannot be changed substantially without its consent.

(b) This trust may not be amended so as to make the trust revocable.

VI-2. TERMINATION THIS TRUST SHALL NOT TERMINATE, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

* * *

IN WITNESS WHEREOF, the grantor and the trustee have executed this agreement as of the day and year first above written.

Grantor

The Northern Trust Company as Trustee

By

Its

ABBOTT LABORATORIES SUPPLEMENTAL PENSION PLAN

SECTION 1
INTRODUCTION

1-1. On September 9, 1977, December 14, 1979 and February 10, 1984 the Board of Directors of Abbott Laboratories ("Abbott") adopted certain resolutions providing for payment of (i) pension benefits calculated under the Abbott Laboratories Annuity Retirement Plan ("Annuity Plan") in excess of those which may be paid under that plan under the limits imposed by Section 415 of the U.S. Internal Revenue Code, as amended, and the Employee Retirement Income Security Act ("ERISA") and (ii) the additional pension benefits that would be payable under the Annuity Plan if deferred awards under the Abbott Laboratories Management Incentive Plan were included in "final earnings" as defined in the Annuity Plan.

The purpose of this ABBOTT LABORATORIES SUPPLEMENTAL PENSION PLAN (the "Supplemental Plan") is to clarify, restate and supersede the prior resolutions.

1-2. The Supplemental Plan shall apply to employees of Abbott and its subsidiaries and affiliates existing as of the date of adoption of the Supplemental Plan or thereafter created or acquired. (Abbott and each of such subsidiaries and affiliates are hereinafter referred to as an "employer" and collectively as the "employers").

1-3. All benefits provided under the Supplemental Plan shall be provided from the general assets of the employers and not from any trust fund or other designated asset. All participants in the Supplemental Plan shall be general creditors of the employers with no priority over other creditors.

1-4. The Supplemental Plan shall be administered by the Abbott Laboratories Employee Benefit Board of Review appointed and acting under the Annuity Plan ("Board of Review"). Except as stated below, the Board of Review shall perform all powers and duties with respect to the Supplemental Plan, including the power to direct payment of benefits, allocate costs among employers, adopt amendments and determine questions of interpretation. The Board of Directors of Abbott shall have the sole authority to terminate the Supplemental Plan.

SECTION 2
ERISA ANNUITY PLAN SUPPLEMENTAL BENEFIT

2-1. The benefits described in this Section 2 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension under that plan, on or after September 9, 1977.

2-2. Each Annuity Plan participant whose retirement or vested pension under that plan would otherwise be limited by Section 415, Internal Revenue Code, shall receive a supplemental pension under this Supplemental Plan in an amount, which, when added to his or her Annuity Plan pension, will equal the amount the participant would be entitled to under the Annuity Plan as in effect from time to time, based on the particular option selected by the participant, without regard to the limitations imposed by Section 415, Internal Revenue Code.

SECTION 3
1986 TAX REFORM ACT SUPPLEMENTAL BENEFIT

3-1. The benefits described in this Section 3 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension under that plan, after December 31, 1988.

3-2. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Section 2; and

(ii) The monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan had included compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code, and any "pre-tax contributions" made by the participant under the Abbott Laboratories Supplemental 401(k) Plan.

SECTION 4
DEFERRED MIP ANNUITY PLAN SUPPLEMENTAL BENEFIT

4-1. The benefits described in this Section 4 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension, under that plan, on or after December 14, 1979 and who were awarded Management Incentive Plan awards for any calendar year during the ten consecutive calendar

years ending with the year of retirement or termination of employment.

4-2. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Section 2 and Section 3; and

(ii) the monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan, were one-sixtieth of the sum of:

(A) the participant's total "basic earnings" (excluding any payments under the Management Incentive Plan or any Division Incentive Plan) received in the sixty consecutive calendar months for which his basic earnings (excluding any payments under the Management Incentive Plan or any Division Incentive Plan) were highest within the last one hundred twenty consecutive calendar months immediately preceding his retirement or termination of employment; and

(B) the amount of the participant's total awards under the Management Incentive Plan and any Division Incentive Plan (whether paid immediately or deferred) made for the five consecutive calendar years during the ten consecutive calendar years ending with the year of retirement or termination for which such amount is the greatest and (for participants granted Management Incentive Plan awards for less than five consecutive calendar years during such ten year period) which include all Management Incentive Plan awards granted for consecutive calendar years within such ten year period.

(b) That portion of any Management Incentive Plan award which the Compensation Committee has determined shall be excluded from the participant's "basic earnings" shall be excluded from the calculation of "final earnings" for purposes of this subsection 4-2. "Final earnings" for purposes of this subsection 4-2 shall include any compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code.

(c) In the event the period described in subsection 4-2(a)(ii)(B) is the final five calendar years of employment and a Management Incentive Plan award is made to the participant subsequent to retirement for the participant's final calendar year of employment, the supplemental pension shall be adjusted by adding such new award and subtracting a portion of the earliest Management Incentive Plan award included in the calculation, from the amount determined under subsection 4-2(a)(ii)(B). The portion subtracted shall be equal to that portion of the participant's final calendar year of employment during which the participant was employed by Abbott. If such adjustment results in a greater supplemental pension, the greater pension shall be paid beginning the first month following the date of such new award.

SECTION 5
RESTRICTED STOCK AWARD SUPPLEMENTAL BENEFIT

5-1. The benefits described in this Section 5 shall apply to all participants in the Annuity Plan who retire or terminate with a vested pension, under that plan, after September 1, 1995.

5-2. For purposes of this Supplemental Plan, the phrase "Eligible Restricted Stock Award" shall mean a restricted stock award granted under the Abbott Laboratories 1991 Incentive Stock Program, or any successor plan or program, (the "Incentive Stock Program"), which is designated by the Compensation Committee of the Board of Directors of Abbott, at any time prior to retirement or termination of the participant, as includable in "final earnings" for purposes of this Supplemental Plan.

5-3. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Sections 2, 3 and 4; and

(ii) The monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan, were one-sixtieth of the sum of:

(A) the participant's earnings described in subsection 4-2(a)(ii)(A);

(B) the participant's awards described in subsection 4-2(a)(ii)(B) (adjusted as provided in subsections 4-2(b) and (c)); and

(C) the total value of those installments of Eligible Restricted Stock Awards granted the participant which become non-forfeitable during the sixty consecutive calendar months for which his basic earnings (as defined in subsection 4-2(a)(ii)(A)) are highest within the last one hundred twenty consecutive calendar months immediately preceding his retirement or termination of employment.

(b) For purposes of this subsection 5-3:

(i) The value of an Eligible Restricted Stock Award shall be the fair market value of such award (as determined under the Incentive Stock Program) on the date the award is granted;

(ii) No more than five installments of Eligible Restricted Stock Awards shall be included in the amount calculated under subsection 5-3(a)(ii)(C); and

(iii) "Final earnings" shall include compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code."

In the event the limitation described in subsection 5-3(b)(ii) would be exceeded for a participant, those installments in excess of five with the lowest fair market value (as defined in subsection 5-3(b)(i)) shall be disregarded in calculating the benefit due under this Section 5.

SECTION 6
CORPORATE OFFICER ANNUITY PLAN SUPPLEMENTAL BENEFIT

6-1. The benefits described in this Section 6 shall apply to all participants in the Annuity Plan who are corporate officers of Abbott as of September 30, 1993 or who become corporate officers thereafter, and who retire, or terminate with a vested pension under that plan on or after September 30, 1993. The term "corporate officer" for purposes of this Supplemental Plan shall mean an individual elected an officer of Abbott by its Board of Directors (or designated as such for purposes of this Section 6 by the Compensation Committee of the Board of Directors of Abbott), but shall not include assistant officers.

6-2. Subject to the limitations and adjustments described below, each participant described in subsection 6-1 shall receive a monthly supplemental pension under this Supplemental Plan commencing on the participant's normal retirement date under the Annuity Plan and payable as a life annuity, equal to 6/10 of 1 percent (.006) of the participant's final earnings (as that phrase is used in subsection 5-3(a)(ii), adjusted as provided in subsections 5-3(b)(ii) and (iii)) for each of the first twenty years of the participant's benefit service (as defined in the Annuity Plan) occurring after the participant's attainment of age 35.

6-3. In no event shall the sum of (a) the participant's aggregate percentage of final earnings calculated under subsection 6-2 and (b) the participant's aggregate percentage of final earnings calculated under subsection 5-1(b)(i) of the Annuity Plan, exceed the maximum aggregate percentage of final earnings allowed under subsection 5-1(b)(i) of the Annuity Plan (without regard to any limits imposed by the Internal Revenue Code), as in effect on the date of the participant's retirement or termination. In the event the limitation described in this subsection 6-3 would be exceeded for any participant, the participant's aggregate percentage calculated under subsection 6-2 shall be reduced until the limit is not exceeded.

6-4. Benefit service occurring between the date a participant ceases to be a corporate officer of Abbott and the date the participant again becomes a corporate officer of Abbott shall be disregarded in calculating the participant's aggregate percentage under subsection 6-2.

6-5. Any supplemental pension otherwise due a participant under this Section 6 shall be reduced by the amount (if any) by which:

(a) the sum of (i) the benefits due such participant under the Annuity Plan and this Supplemental Plan, plus (ii) the actuarially equivalent value of the employer-paid portion of all benefits due such participant under the primary retirement plans of all non-Abbott employers of such participant; exceeds

(b) the maximum benefit that would be due under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) based on the participant's final earnings (as that phrase is used in subsection 5-3(a)(ii), adjusted as provided in subsections 5-3(b)(ii) and (iii), if the participant had accrued the maximum benefit service recognized by the Annuity Plan.

The term "primary retirement plan" shall mean any pension benefit plan as defined in ERISA, whether or not qualified under the Internal Revenue Code, which is determined by the Board of Review to be the primary pension plan of its sponsoring employer. The term "non-Abbott employer" shall mean any employer other than Abbott or a subsidiary or affiliate of Abbott. A retirement plan maintained by an employer prior to such employer's acquisition by Abbott shall be deemed a retirement plan maintained by a non-Abbott employer for purposes of this subsection 6-5.

6-6. Any supplemental pension due a participant under this Section 6 shall be actuarially adjusted as provided in the Annuity Plan to reflect the pension form selected by the participant and the participant's age at commencement of the pension, and shall be paid as provided in subsection 7-2.

SECTION 7
CORPORATE OFFICER ANNUITY PLAN
SUPPLEMENTAL EARLY RETIREMENT BENEFIT

7-1. The benefits described in this Section 7 shall apply to all persons described in subsection 6-1.

7-2. The supplemental pension due under Sections 2, 3, 4, 5 and 6 to each participant described in subsection 7-1 shall be reduced as provided in subsections 5-3 and 5-6 of the Annuity Plan for each month by which its commencement date precedes the last day of the month in which the participant will attain age 60. No reduction will be made for the period between the last day of the months the participant will attain age 60 and age 62.

7-3. Each participant described in subsection 7-1 shall receive a monthly supplemental pension under this Supplemental Plan equal to any reduction made in such participant's Annuity Plan pension under subsections 5-3 or 5-6 of the Annuity Plan for the period between the last day of the months the participant will attain age 60 and age 62.

SECTION 8
MISCELLANEOUS

8-1. For purposes of this Supplemental Plan, the term "Management Incentive Plan" shall mean the Abbott Laboratories 1971 Management Incentive Plan, the Abbott Laboratories 1981 Management Incentive Plan and all successor plans to those plans.

8-2. The supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 shall be paid to the participant or his or her beneficiary based on the particular pension option elected by the participant, in the same manner, at the same time, for the same period and on the same terms and conditions as the pension payable to the participant or his beneficiary under the Annuity Plan. In the event a participant is paid his or her pension under the Annuity Plan in a lump sum, any supplemental pension due under Sections 2, 3, 4, 5, 6 or 7 shall likewise be paid in a lump sum. Notwithstanding the foregoing provision of this subsection 8-2: (a) if the present value of the vested supplemental pensions described in Sections 2, 3, 4, 5, 6 and 7 of a participant who is actively employed by Abbott as a corporate officer exceeds $100,000, then payment of such pensions shall be made to the participant under Section 9 below; and (b) if the monthly vested supplemental pensions, expressed as a straight life annuity, due a participant or his or her beneficiary under Sections 2, 3, 4, 5, 6 and 7 do not exceed an aggregate of One Hundred Fifty Dollars ($150.00) as of the commencement date of the pension payable such participant or his or her beneficiary under the Annuity Plan, and payment of such supplemental pension has not previously been made under Section 9, the present value of such supplemental pensions shall be paid such participant or beneficiary in a lump-sum.

8-3. Notwithstanding any other provisions of this Supplemental Plan, if employment of any participant with Abbott and its subsidiaries and affiliates should terminate for any reason within five (5) years after the date of a Change in Control:

(a) The present value of any supplemental pension due the participant under Section 2 (whether or not then payable) shall be paid to the participant in a lump sum within thirty (30) days following such termination; and

(b) The present value of any supplemental pension due the participant under Sections 3 or 4 (whether or not then payable) shall be paid to the participant in a lump sum within thirty (30) days following such termination.

The supplemental pension described in paragraph (a) shall be computed using as the applicable limit under Section 415, Internal Revenue Code, such limit as is in effect on the termination date and based on the assumption that the participant will receive his or her Annuity Plan pension in the form of a

straight life annuity with no ancillary benefits. The present values of the supplemental pensions described in paragraphs (a) and (b) shall be computed as of the date of payment by using an interest rate equal to the Pension Benefit Guaranty Corporation interest rate applicable to an immediate annuity, as in effect on the date of payment.

8-4. For purposes of subsection 8-3, a "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

(a) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of the Company;

(b) The date the shareholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the Company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of the Company; or

(c) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

8-5. The provisions of subsections 8-3, 8-4 and this subsection 8-5 may not be amended or deleted, nor superseded by any other provision of this Supplemental Plan, during the period beginning on the date of a Change in Control and ending on the date five years following such Change in Control.

8-6. All benefits due under this Supplemental Plan shall be paid by Abbott and Abbott shall be reimbursed for such payments by the employee's employer. In the event the employee is employed by more than one employer, each employer shall reimburse Abbott in proportion to the period of time the employee was employed by such employer, as determined by the Board of Review in its sole discretion.

8-7. The benefits under the Supplemental Plan are not in any way subject to the debts or other obligations of the persons entitled to benefits and may not be voluntarily or involuntarily sold, transferred or assigned.

8-8. Nothing contained in this Supplemental Plan shall confer on any employee the right to be retained in the employ of Abbott or any of its subsidiaries or affiliates.

8-9. Upon adoption of this Supplemental Plan, the prior resolutions shall be deemed rescinded.

SECTION 9
ALTERNATE PAYMENT OF SUPPLEMENTAL PENSIONS

9-1. If, as of December 31, 1995 or any subsequent December 31, the present value of the supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 of a participant, who is actively employed by Abbott as a corporate officer, exceeds $100,000, then payment of such present value shall be made, at the direction of the participant, by either of the following methods: (a) current payment in cash directly to the participant, or (b) current payment of a portion of such present value (determined as of that December 31) in cash for the participant directly to a Grantor Trust established by the participant, and current payment of the balance of such present value in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-1(b) (as determined pursuant to the tax rates set forth in subsection 9-14).

9-2. If the present value of a participant's supplemental pension has been paid to the participant (including amounts paid to the participant's Grantor Trust) pursuant to subsection 9-1 (either as in effect prior to June 1, 1996 that applied to any participant with a supplemental pension with a present value in excess of $100,000 or as currently in effect that requires the participant to have a supplemental pension with a present value in excess of $100,000 and to be a corporate officer), then as of each subsequent December 31, such participant shall be entitled to a payment in an amount equal to: (i) the present value (as of that December 31) of the participant's supplemental pension described in Sections 2, 3, 4, 5, 6 and 7, less (ii) the current value (as of that December 31) of the payments previously made to the participant under subsections 9-1 and 9-2. Payments under this subsection 9-2 shall be made, at the direction of the

participant, by either of the following methods: (a) current payment in cash directly to the participant, or (b) current payment of a portion of such amount in cash for the participant directly to the Grantor Trust established by the participant; and current payment of the balance of such amount in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-2(b) (as determined pursuant to the tax rates set forth in subsection 9-14). No payments shall be made under this subsection 9-2 as of any December 31 after the calendar year in which the participant retires or otherwise terminates employment with Abbott.

9-3. Present values for the purposes of subsections 9-1, 9-2, 9-4 and 9-5 shall be determined using reasonable actuarial assumptions specified for this purpose by Abbott and consistently applied. The "current value" of the payments previously made to a participant under subsections 9-1 and 9-2 means the aggregate amount of such payments, with interest thereon (at the rate specified for this purpose by Abbott). For purposes of subsections 9-4 and 9-5, "Projected Taxes" with respect to any payment of supplemental pension benefits under subsections 9-1 or 9-2, shall mean the taxes which Abbott projects will be incurred by the participant on the income earned (i) on the payment (net of taxes) that is made pursuant to subsections 9-1 or 9-2, (ii) on the corresponding payment(s) for Projected Taxes that are made pursuant to subsection 9-4 and, if applicable, 9-5 and (iii) on the accumulated income earned on any of the payments covered by parts (i) and (ii) hereof, during the life of such participant's Grantor Trust (or during the period that such Grantor Trust would have been in existence if the participant had elected to receive all of the payments under subsections 9-1 and 9-2 in cash). In calculating such Projected Taxes, Abbott shall use the aggregate of the current federal, state and local tax rates specified by subsection 9-14.

9-4. Effective as of December 31, 1995, or any subsequent December 31, as a result of any payment made to a Qualified Participant for any calendar year pursuant to subsection 9-1 or 9-2, Abbott shall also make a corresponding payment to such Qualified Participant in the amount of the present value of the Projected Taxes. A "Qualified Participant" is either (i) a participant who as of December 31, 1995 was actively employed by Abbott and who had previously received, or as of such date was qualified to receive, a payment under subsection 9-1; or (ii) a participant who as of any subsequent December 31 qualifies to receive a payment pursuant to subsection 9-1. The payment for Projected Taxes under this subsection 9-4 shall be made to the Qualified Participant in the identical manner that the payment under subsection 9-1 or 9-2 was made. For example, (a) if the Qualified Participant elected to receive the payment under subsection 9-1 directly in cash, then Abbott shall also pay the present value of the Projected Taxes on such payment in cash directly to the Qualified Participant, and (b) if the Qualified Participant elected to receive the payment under subsection 9-1 into a Grantor Trust established by the Qualified Participant, then Abbott shall pay the present value of the Projected Taxes on such payment as follows: current payment of a portion of such present value (determined as of that December 31) in cash for such Qualified Participant directly to a Grantor Trust established by such participant, and current payment of the balance of such present value in cash directly to such Qualified Participant, provided that the payment made directly to such participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-4(b) (as determined pursuant to the tax rates set forth in subsection 9-14). No payments shall be made under this subsection 9-4 as of any December 31 after the calendar year in which the participant retires or otherwise terminates employment with Abbott.

9-5. In the event that Abbott has made any payment for Projected Taxes under subsection 9-4 in cash directly to the Qualified Participant and there is a subsequent increase in the tax rates for such Qualified Participant, Abbott shall make a further cash payment to such Qualified Participant in the amount of (a) the present value of the Projected Taxes on the payments that were made under subsections 9-1 and 9-2 in cash directly to such Qualified Participant using the actual tax rates for previous years and the new tax rates (determined in accordance with subsection 9-14) for the current and subsequent years, less (b) the amount that would have been in the Qualified Participant's Tax Payment Account with respect to the payments made under subsections 9-1 and 9-2 in cash directly to the Participant, if such payments had instead been made to the Qualified Participant's Grantor Trust. Such amount shall be paid by Abbott directly to the Qualified Participant in cash. In the event that Abbott has made any payment for Projected Taxes under subsection 9-4 to the Qualified Participant's Grantor Trust, then Abbott shall as of December 31 of each year, make a further payment to the Qualified Participant in the amount of (a) the present value (as of that December 31) of the Projected Taxes on the payments that were made under subsections 9-1 and 9-2 into the Qualified Participant's Grantor Trust less (b) the balance of such Qualified Participant's Tax Payment Account (as described in subsection 9-8). Such payment shall be paid by Abbott as follows: the current payment of a portion of such amount in cash directly to the Qualified Participant's Grantor Trust and the current payment of the balance of such amount in cash directly to such Qualified Participant; provided, that the payments made directly to such Qualified Participant shall approximate the

aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subsection 9-5. No payments shall be made under this subsection 9-5 for any year following the participant's death. In the event that the calculation required by this subsection 9-5 for a Grantor Trust demonstrates that there has been an overpayment of projected taxes, such overpayment shall be held within the Grantor Trust in an Excess Tax Account and may be used by Abbott as a credit against any payments due hereunder or as specified in subsection 9-12.

9-6. For each Qualified Participant whose Grantor Trust has received a payment pursuant to subsection 9-4, Abbott, as the administrator of such Grantor Trust, shall direct the trustee to distribute to the participant from the income of such Grantor Trust, a sum of money sufficient to pay the taxes on trust earnings for such year. The taxes shall be calculated by multiplying the income of the Grantor Trust by the aggregate of the federal, state, and local tax rates (determined in accordance with subsection 9-14).

9-7. A participant shall be deemed to have irrevocably waived and shall be foreclosed from any right to receive any supplemental pension benefits on that portion of the supplemental pension that the participant elects to be paid in cash under subsection 9-1 or 9-2. A participant, who has elected to receive a payment under subsection 9-1 or 9-2 to a Grantor Trust, must establish such trust in a form which Abbott determines to be substantially similar to the trust attached to this Supplemental Plan as Exhibit A. If a participant fails to make an election under subsection 9-1 or 9-2, or if a participant makes an election under subsection 9-1 or 9-2 to receive payment in a Grantor Trust but fails to establish a Grantor Trust, then payment shall be made in cash directly to the participant. Each payment required under subsections 9-1, 9-2, 9-4 and 9-5 shall be made as soon as practicable after the amount thereof can be ascertained by Abbott, but in no event later than the last day of the calendar year following the December 31 as of which such payment becomes due.

9-8. Abbott will establish and maintain a separate Supplemental Pension Account in the name of each participant, a separate After-Tax Supplemental Pension Account in the name of each participant, and a separate Tax Payment Account in the name of each participant. The Supplemental Pension Account shall reflect any amounts: (i) paid to a participant (including amounts paid to a participant's Grantor Trust) pursuant to subsections 9-1, and 9-2; (ii) credited to such Account pursuant to subsection 9-9; and (iii) disbursed to a participant for supplemental pension benefits (or which would have been disbursed to a participant if the participant had not elected to receive a cash disbursement pursuant to subsections 9-1 and 9-2). The After-Tax Supplemental Pension Account shall also reflect such amounts but shall be maintained on an after-tax basis. The Tax Payment Account shall reflect any amounts (i) paid to a Qualified Participant (net of taxes) pursuant to subsections 9-4 and 9-5 and (ii)disbursed to a participant for the payment of taxes pursuant to subsection 9-6. The accounts established pursuant to this subsection 9-8 are for the convenience of the administration of the Plan and no trust relationship with respect to such accounts is intended or should be implied.

9-9. As of the end of each calendar year, a participant's Supplemental Pension Account shall be credited with interest calculated at a reasonable rate of interest specified for this purpose by Abbott and consistently applied. Any amount so credited shall be referred to as a participant's "Interest Accrual". The calculation of the Interest Accrual shall be based on the balance of the payments made pursuant to subsections 9-1 and 9-2 and any Interest Accrual thereon from previous years. As of the end of each calendar year a participant's After-Tax Supplemental Pension Account shall be credited with interest which shall be referred to as the After-Tax Interest Accrual. The "After-Tax Interest Accrual" shall be an amount equal to (a) the Interest Accrual credit to the participant's Supplemental Pension Account for such year less (b)the product of (i) the amount of such Interest Accrual multiplied by (ii) the aggregate of the federal, state and local income tax rates (determined in accordance with subsection 9-14). The Excess Interest Account shall be the cumulative amount, if any, by which the net income earned by the Grantor Trust on the payments made pursuant to Sections 9-1, 9-2, 9-4, 9-5 and 9-10 (and interest earned thereon) for all years that the Grantor Trust has been in existence exceeds the After-Tax Interest Accrual for such years.

9-10. In addition to any payment made to a participant for any calendar year pursuant to subsections 9-1, 9-2, 9-4 and 9-5, Abbott shall also make a payment to a participant's Grantor Trust (a "Guaranteed Rate Payment"), for any year in which the net income of such trust does not equal or exceed the participant's After-Tax Interest Accrual for that year. The Guaranteed Rate Payment shall equal the difference between the participant's After-Tax Interest Accrual and such net income of the participant's Grantor Trust for the year, and shall be paid within 180 days of the end of that year. Any funds in a participant's Excess Interest Account may be used by Abbott as a credit against any Guaranteed Rate Payment due to the participant under this subsection 9-10 or as specified in subsection 9-12. No payments shall be made under this subsection 9-10 for any year following the year of the participant's death.

9-11. If at any time after a participant's retirement or other termination of employment with Abbott, there is no longer a balance in his or her Grantor Trust, then such participant (or his or her surviving spouse if such spouse is

entitled to periodic payments from the Grantor Trust) shall be entitled to a "Continuation Payment" under this subsection 9-11. The amount of the Continuation Payment shall be equal to the amount of the supplemental pension that would have been payable to the participant (or surviving spouse) had no payments been made to or for the participant's Grantor Trust under subsections 9-1 and 9-2. Continuation Payments shall be made monthly, beginning with the month in which there is no longer a sufficient balance in the participant's Grantor Trust and ending with the month of the participant's (or surviving spouse's) death. Payments under this subsection 9-11 shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets. Appropriate adjustments to the Continuation Payments shall be made in the event distributions have been made from a participant's Grantor Trust for reasons other than benefit payments to the participant or surviving spouse.

9-12. To the extent that Abbott is obligated to make a payment to a participant under subsections 9-1, 9-2, 9-4, 9-5 or 9-10, Abbott shall have the right to offset such payment with any funds in the participant's Excess Interest Account or Excess Tax Account. In addition, any funds in a participant's Excess Tax Account may be used by Abbott as a credit against any future Guaranteed Rate Payment due to the participant under subsection 9-10.

9-13. For participants who are not Qualified Participants that received any payment pursuant to subsection 9-4, in addition to the payments provided under subsections 9-1 and 9-2, each participant shall also be entitled to a Tax Gross Up payment for each year there is a balance in his or her Supplemental Pension Account. The "Tax Gross Up" shall approximate: (a) the product of (i) the participant's After-Tax Interest Accrual for the year (calculated using the greater of the rate of return of the Grantor Trusts or the rate specified in subsection 9-9), multiplied by (ii) the aggregate of the federal, state and local tax rates (determined in accordance with subsection 9-14) plus (b) an amount equal to the product of (i) any payment made pursuant to this subsection 9-13, multiplied by (ii) the aggregate tax rate determined under subparagraph 9-13(a)(ii) above, such that the participant is fully compensated for taxes on payments made hereunder. Payment of the Tax Gross Up shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets. The Tax Gross Up for a year shall be paid to the participant as soon as practicable after the amount of the Tax Gross Up can be ascertained by Abbott, but in no event later than the last day of the calendar year following the calendar year to which the Tax Gross Up relates. No payments shall be made under this subsection 9-13 for any year following the year of the participant's death.

9-14. For purposes of this Supplemental Plan, a participant's federal income tax rate shall be deemed to be the highest marginal rate of federal individual income tax in effect in the calendar year in which a calculation under this Supplemental Plan is to be made, and state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and locality of the participant's residence in the calendar year for which such a calculation is to be made, net of any federal tax benefits.

SUPPLEMENTAL BENEFIT
GRANTOR TRUST

THIS AGREEMENT, made this ___ day of _____ , 19__ , by and between _____, (the "grantor"), and The Northern Trust Company, located at Chicago, Illinois, as trustee (the "trustee"),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold certain benefits received by the grantor under the Abbott Laboratories Supplemental Pension Plan, as it may be amended from time to time;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may be referred to as the "_____ Supplemental Benefit Grantor Trust."

I-2. THE TRUST FUND. The "trust fund" as at any date means all property then held by the trustee under this agreement.

I-3. STATUS OF THE TRUST. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4. THE ADMINISTRATOR. Abbott Laboratories ("Abbott") shall act as the "administrator" of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. Abbott will certify to the

trustee from time to time the person or persons authorized to act on behalf of Abbott as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5. ACCEPTANCE. The trustee accepts the duties and obligations of the "trustee" hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II
DISTRIBUTION OF THE TRUST FUND

II-1. SUPPLEMENTAL PENSION ACCOUNT. The administrator shall maintain a "supplemental pension account" under the trust. As of the end of each calendar year, the administrator shall charge the account with all distributions made from the account during that year; and credit the account with its share of trust income and realized gains and charge the account with its share of trust expenses and realized losses for the year.

II-2. DISTRIBUTIONS PRIOR TO THE GRANTOR'S DEATH. Principal and accumulated income shall not be distributed from the trust prior to the grantor's retirement or other termination of employment with Abbott or a subsidiary of Abbott (the grantor's "settlement date"); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the trust fund for that year, with the balance of such income to be accumulated in the trust. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the amounts from time to time credited to the supplemental pension account to the grantor, if then living, in the same manner, at the same time and over the same period as the pension payable to the grantor under Abbott Laboratories Annuity Retirement Plan.

II-3. DISTRIBUTIONS AFTER THE GRANTOR'S DEATH. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income thereof shall be distributed upon the grantor's death. The grantor may direct that such amounts be distributed in a lump-sum or, if the beneficiary is the grantor's spouse (or a trust for which the grantor's spouse is the sole income beneficiary), in the same manner, at the same time and over the same period as the pension payable to the grantor's surviving spouse under the Abbott Laboratories Annuity Retirement Plan. If the grantor directs the same method of distribution as the pension payable to the surviving spouse under the Abbott Laboratories Annuity Retirement Plan to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary's estate. If the grantor directs the same method of distribution as the pension payable to the surviving spouse under the Abbott Laboratories Annuity Retirement Plan to a trust for which the grantor's spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be distributed in a lump sum to such trust. Despite the foregoing, if (i) the beneficiary is a trust for which the grantor's spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-3 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

II-4. FACILITY OF PAYMENT. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-5. PERPETUITIES. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

ARTICLE III
MANAGEMENT OF THE TRUST FUND

III-1. GENERAL POWERS. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

(a) Subject to the limitations of subparagraph (b) next below, to

sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.

(b) To invest and reinvest the trust fund, without distinction between principal and income, in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government and in any mutual funds, common trust funds or collective investment funds which invest solely in such obligations, provided that to the extent practicable no more than Ten Thousand Dollars ($10,000) shall be invested in such mutual funds, common trust funds or collective investment funds at any time; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.

(c) To deposit cash in any depositary (including the banking department of the bank acting as trustee) without liability for interest, in amounts not in excess of those reasonably necessary to make distributions from the trust.

(d) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.

(e) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

(f) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(g) To compromise, contest, settle or abandon claims or demands.

(h) To give proxies to vote stocks and other voting securities, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.

(i) To hold securities or other property in the name of a nominee, in a depositary, or in any other way, with or without disclosing the trust relationship.

(j) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.

(k) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee considers necessary for its protection.

(l) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity, without liability for any loss that may result.

(m) Upon the prior written consent of the administrator, to appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.

(n) To appoint or remove by written instrument any bank, wherever located, as custodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.

(o) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on the advice of persons so employed without court action.

(p) To perform any and all other acts which in the trustee's

judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2. PRINCIPAL AND INCOME. Any income earned on the trust fund which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3. STATEMENTS. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4. COMPENSATION AND EXPENSES. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

ARTICLE IV
GENERAL PROVISIONS

IV-1. INTERESTS NOT TRANSFERABLE. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2. DISAGREEMENT AS TO ACTS. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any proper court.

IV-3. TRUSTEE'S OBLIGATIONS. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement; and the trustee shall not be liable for any action taken because of the specific direction of the administrator.

IV-4. GOOD FAITH ACTIONS. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the trustee that it is acting according to this agreement will fully protect all persons dealing with the trustee.

IV-5. WAIVER OF NOTICE. Any notice required under this agreement may be waived by the person entitled to such notice.

IV-6. CONTROLLING LAW. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7. SUCCESSORS. This agreement shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

ARTICLE V
CHANGES IN TRUSTEE

V-1. RESIGNATION OR REMOVAL OF TRUSTEE. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2. APPOINTMENT OF SUCCESSOR TRUSTEE. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3. DUTIES OF RESIGNING OR REMOVED TRUSTEE AND OF SUCCESSOR TRUSTEE. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each

successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

ARTICLE VI
AMENDMENT AND TERMINATION

VI-1. AMENDMENT. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

(a) The duties and liabilities of the trustee cannot be changed substantially without its consent.

(b) This trust may not be amended so as to make the trust revocable.

VI-2. TERMINATION. This trust shall not terminate, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

* * *

IN WITNESS WHEREOF, the grantor and the trustee have executed this agreement as of the day and year first above written.

_____
Grantor

The Northern Trust Company, as Trustee

By_____

Its_____

Amended effective December 14, 2001

1986
ABBOTT LABORATORIES
MANAGEMENT INCENTIVE PLAN

SECTION 1
INTRODUCTION

1.1 BACKGROUND AND PURPOSES. This 1986 ABBOTT LABORATORIES MANAGEMENT INCENTIVE PLAN (the "Plan") is a successor Plan to the 1961, 1971 and 1981 Management Incentive Plans (the "Predecessor Plans"). This Plan is being established by ABBOTT LABORATORIES ("Abbott") for the following purposes:

(a) To provide greater incentive for participants in the Plan to attain and maintain the highest standards of managerial performance by rewarding them for services rendered with compensation, in addition to their base salaries, in proportion to the success of Abbott and to the participants' respective contribution to such success; and

(b) To attract and retain in the employ of Abbott and its subsidiaries persons of outstanding competence.

1.2 EFFECTIVE DATE AND FISCAL YEAR. The Plan shall be effective as of January 1, 1986. The term "fiscal year," as used in this Plan, means the fiscal period from time to time employed by Abbott for the purpose of reporting earnings to shareholders.

1.3 ADMINISTRATION. The Plan will be administered by the Compensation Committee (the "Committee") appointed by the Board of Directors of Abbott.

SECTION 2
ELIGIBILITY AND PARTICIPATION

2.1 PERSONS ELIGIBLE FOR PARTICIPATION. Participation in the Plan will be limited to those Officers and managerial employees of Abbott and its subsidiaries who, from time to time, shall be selected as participants by the Committee.

2.2 PARTICIPANTS. The term "participant," as used in the Plan, shall include both active participants and inactive participants.

2.3 ACTIVE PARTICIPANTS. For each fiscal year, there shall be a group of active participants which, except as provided below, shall not exceed forty-five persons and shall consist of those persons eligible for participation who shall have been designated as active participants and notified of that fact by the Committee at any time before or during the fiscal year. If, as a result of the growth of Abbott and its subsidiaries or changes in Abbott's organization, the Board of Directors deems it appropriate, the Board of Directors may, in its discretion, from time to time, increase the number of persons who may be designated as active participants for any fiscal year beyond the limit of forty-five persons provided for above. Selection as an active participant for any fiscal year shall not confer upon any person a right to be an active participant in any subsequent fiscal year, nor shall it confer upon him the right to receive any allocation under the Plan, other than amounts allocated to him by the Committee pursuant to the Plan, and all such allocations shall be subject to all of the terms and conditions of the Plan.

2.4 INACTIVE PARTICIPANTS. Inactive participants shall consist of those persons, including beneficiaries of deceased participants, if any, for whom an allocation shall have been made for a prior fiscal year under this Plan or a Predecessor Plan, the payment of which was deferred and remains unpaid. Status as an inactive participant shall not preclude a person from also being an active participant during any fiscal year.

SECTION 3
MANAGEMENT INCENTIVE PLAN FUND

3.1 BASE FOR MANAGEMENT INCENTIVE PLAN FUND. The "base earnings" for determining whether any portion of consolidated net income for any fiscal year may be allocated to the Management Incentive Plan Fund for such year shall be that amount of consolidated net income (as defined in subsection 3.2) which is equal to 15 percent of the Abbott Common Shareholder's Equity for such fiscal year. For this purpose, "Abbott Common Shareholders' Equity" for any fiscal year shall mean the Shareholders' Investment, as reflected in the consolidated balance sheet of Abbott as of the close of the next preceding fiscal year, plus or minus such adjustments thereof as may be determined by the Committee in order to reflect:

(a) The existence, issuance, sale, exchange, conversion or retirement of any securities, other than common shares, of Abbott (whether involving preferred stock, debt, convertible preferred stock or convertible debt securities); and

(b) The issuance or retirement of any common shares or any changes in accounting methods or period adopted by Abbott since the close of such next preceding fiscal year.

Any adjustments to be made in accordance with (a) and (b) above in determining Abbott Common Shareholders' Equity for any fiscal year shall be determined by the Committee after consultation with Abbott's independent auditors, and any determination made by the Committee after such consultation shall be conclusive upon all persons.

3.2 CONSOLIDATED NET INCOME. For the purposes of this Plan, for any fiscal year or period, the "consolidated net income" shall be the consolidated net income of Abbott and its subsidiaries, prepared in accordance with generally accepted accounting principles, consistently applied, after provision for any interest accrued with respect to such period on account of deferred payments under this Plan or a Predecessor Plan, but before allowances for any amount to be allocated to the Management Incentive Plan Fund, both net of applicable income taxes, and

after such adjustments for the following, as may be determined by the Committee after consultation with Abbott's independent auditors (all net of applicable income taxes):

(a) The exclusion of any charges for amortization or goodwill arising out of acquisitions made for securities which, as a result of adjustments made in determining Abbott Common Shareholders' Equity pursuant to subsection 3.1, are treated as common share equivalents; and

(b) The exclusion of any interest on debt securities which are convertible into common shares of Abbott and which shall have been considered as common share equivalents in determining Abbott Common Shareholders' Equity pursuant to subsection 3.1 hereof; and

(c) The deduction of any dividend requirement for preferred shares which has not been considered as common share equivalents in determining Common Shareholders' Equity pursuant to subsection 3.1 hereof.

In the sole discretion of the Committee there shall also be excluded in the calculation of "consolidated net income" unusual gains and losses and the tax effects thereof, changes in generally accepted accounting principles and the tax effects thereof and extraordinary gains and losses.

3.3 DETERMINATION OF MANAGEMENT INCENTIVE PLAN AMOUNT FOR ANY YEAR. For each fiscal year that consolidated net income exceeds base earnings, and as soon as practicable after ascertainment of that fact, the Committee shall determine a tentative amount as the Management Incentive Plan Amount for that year, which tentative amount shall not exceed the lesser of:

(a) an amount which, when treated as an expense currently deductible for income tax purposes in such year, would cause a 5 percent reduction in such year's excess of consolidated net income over the base earnings for such year; and

(b) an amount which, when treated as an expense currently deductible for income tax purposes in such year, would cause a 1-1/2 percent reduction in such year's consolidated net income; and

(c) an amount which equals 200 percent of the aggregate base salaries of all active participants for such year.

For purposes of the Plan "base salary" means the amount of salary paid to each active participant by Abbott and its subsidiaries for such year plus the includible portion (as described below) of any "Eligible Restricted Stock Award," as defined in Section 5-2 of the Abbott Laboratories Supplemental Pension Plan and does not include bonuses, other awards or any other compensation of any kind. The includible portion of a participant's Eligible Restricted Stock Award shall be the portion of the participant's Eligible Restricted Stock Award that is included in the participant's final earnings under the Abbott Laboratories Supplemental Pension Plan for such year. Following determination of such tentative Management Incentive Plan Amount, the Committee shall report in writing the amount of such tentative amount to the Board of Directors. At the meeting of the Board of Directors coincident with or next following receipt by it of the Committee's determination, the Board of Directors shall have the power to approve or reduce, but not to increase, the tentative amount reported to it by the Committee. The amount approved by the Board of Directors shall be the Management Incentive Plan Amount for such year.

3.4 THE MANAGEMENT INCENTIVE PLAN FUND. The Management Incentive Plan Fund at any time shall consist of an amount equal to the aggregate of the Management Incentive Plan Amounts established pursuant to subsection 3.3 of this Plan for all fiscal years during which this Plan shall have been operative, plus the amounts established as Management Incentive Plan Amounts for any prior fiscal year pursuant to a Predecessor Plan, reduced by an amount equal to the aggregate of the amounts of awards which shall have been allocated to participants in accordance with this Plan or a Predecessor Plan, and awards, or any other compensation of any kind. Following determination of such tentative Management

Incentive Plan Amount, the Committee shall report in writing the amount of such tentative amount to the Board of Directors. At the meeting of the Board of Directors coincident with or next following receipt by it of the

Committee's determination, the Board of Directors shall have the power to approve or reduce, but not to increase, the tentative amount reported to it by the Committee. The amount approved by the Board of Directors shall be the Management Incentive Plan Amount for such year.

SECTION 4
ALLOCATION OF MANAGEMENT INCENTIVE FUND

4.1 ANNUAL ALLOCATION OF MANAGEMENT INCENTIVE FUND. As soon as practicable after the close of each fiscal year, part or all of the amount then in the Management Incentive Plan Fund (including the Management Incentive Plan Amount for such fiscal year) will be allocated by the Committee among active participants in the Plan for such fiscal year, having due regard for the purposes for which the Plan was established, in the following manner and order:

(a) First, if the Chairman of the Board of Abbott shall be an active participant for such year, the members of the Committee, other than the Chairman of the Board, shall determine the amount, if any, to be allocated to the Chairman of the Board from such Fund for such year; and

(b) Next, all or a part of the balance of such Fund may be allocated among the active participants (other than the Chairman of the Board) for such year, in such amounts and proportions as the Committee shall determine

provided, however, that the amount allocated to any active participant for any year shall not exceed 200 percent of such participant's base salary for that year.

4.2 COMMITTEE'S DISCRETION IN ALLOCATIONS. In making any allocations in accordance with subsection 4.1 for any year, the discretion of the Committee shall be absolute, and no active participants for any year, by reason of their designation as such, shall be entitled to any particular amounts or any amount whatsoever.

SECTION 5
PAYMENT OF AMOUNTS ALLOCATED TO PARTICIPANTS

5.1 TIME OF PAYMENT. For fiscal years beginning after December 31, 1988, a participant shall direct the payment or deferral of an allocation made to him pursuant to subsection 4.1 (subject to such conditions relating to the right of the participant to receive Payment of such amount as established by the Committee) by one or more of the following methods:

(a) current payment in cash to the participant;

(b) current payment of a portion of the allocation in cash for the participant directly to a "Grantor Trust" established by the participant, provided such trust is in a form which the Committee determines is substantially similar to the trust attached to this Plan as Exhibit A; and current payment of the balance of the allocation in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes (determined in accordance with subsection 6.7) attributable to the allocation paid pursuant to this paragraph (b); or

(c) deferral of payment until such time and in such manner as determined in accordance with subsection 5.11.

A participant shall make the preceding direction within 30 days of the date he is notified of his eligibility to participate in the Plan. A participant may change such direction with respect to any future allocation, provided that the change is made prior to the beginning of the fiscal year to which such allocation relates. Payment of a participant's allocation for the 1988 fiscal year and of any allocations deferred under the Plan prior to such year shall be made in accordance with the provisions of either or both of paragraphs (a) and (b) above. The Committee shall establish and maintain a Trust Account in accordance with subsection 5.2 and for purposes of subsection 5.4, shall treat such payment as if it were an allocation made for that fiscal year.

5.2 SEPARATE ACCOUNTS. The Committee will maintain two separate Accounts, a "Deferred Account" and a "Trust Account," in the name of each participant. The Deferred Account shall be comprised of any allocations the payment of which is deferred pursuant to subsection 5.1(c) and any adjustments made pursuant to subsection 5.3. The Trust Account shall be comprised of any allocations paid in

cash to a participant (including amounts paid to a participant's Grantor Trust) pursuant to subsection 5.1(b) and any adjustments made pursuant to subsection 5.4.

5.3 ADJUSTMENT OF DEFERRED ACCOUNTS. As of the end of each fiscal year, the Committee shall adjust each participant's Deferred Account as follows:

(a) FIRST, charge an amount equal to any payments made to the participant during that year pursuant to subsections 5.11 or 5.12;

(b) NEXT, credit an amount equal to the allocation for that year that is deferred pursuant to subsection 5.1(c); and

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to subsection 5.5.

5.4 ADJUSTMENT OF TRUST ACCOUNTS. As of the end of each fiscal year, the Committee shall adjust each participant's Trust Account as follows:

(a) FIRST, charge an amount equal to the product of (i) any payments made to the participant during that year from the participant's Grantor Trust (other than distributions of trust earnings in excess of the Net Interest Accrual authorized by the administrator of the trust to provide for the Tax Gross Up under subsection 6.6); multiplied by (ii) a fraction, the numerator of which is the balance in the participant's Trust Account as of the end of the prior fiscal year and the denominator of which is the balance of the participant's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to the allocation for that year that is paid to the Participant (including the amount paid to the participant's Grantor Trust) pursuant to subsection 5.l(b); and

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that Year pursuant to subsection 5.5.

5.5 INTEREST ACCRUALS ON ACCOUNTS. As of the end of each fiscal year, a participant's Deferred Account and Trust Account shall be credited with interest equal to: (a) the average of the prime rates of interest charged by the two largest banks located in the City of Chicago on loans made by them as of January 1 and the end of each month of the fiscal year; plus (b) two hundred twenty-five (225) basis points. Such interest shall be credited on the conditions established by the Committee, provided that any allocation of an award from the Management Incentive Plan Fund shall be considered to have been made and credited to a participant's Deferred Account and Trust Account as of the first day of the fiscal year in which such award is made regardless of the date upon which the Committee actually makes the determination to award such allocation.

5.6 GUARANTEED RATE PAYMENTS. In addition to any allocation made to a participant for any fiscal year pursuant to subsection 4.1 which is paid or deferred pursuant to subsection 5.1, Abbott shall also make a payment to a participant's Grantor Trust (a "Guaranteed Rate Payment") for any year in which the net earnings of such trust do not equal or exceed the participant's Net Interest Accrual for that year. A participant's "Net Interest Accrual" for a year is an amount equal to: (a) the Interest Accrual credited to the participant's Trust Account for that year; less (b) the product of (i) the amount of such Interest Accrual, multiplied by (ii) the aggregate of the federal, state and local individual income tax rates (determined in accordance with subsection 6.7). The Guaranteed Rate Payment shall equal the difference between the participant's Net Interest Accrual and the net earnings of the participant's Grantor Trust for the year, and shall be paid within 90 days of the end of the fiscal year.

5.7 DESIGNATION OF BENEFICIARIES. Subject to the conditions and limitations set forth below, each participant, and after a participant's death, each primary beneficiary designated by a participant in accordance with the provisions of this subsection 5.7, shall have the right from time to time to designate a primary beneficiary or beneficiaries and, successive or contingent beneficiary or beneficiaries to receive unpaid amounts from the participant's Deferred Account under the Plan and the Predecessor Plans. Beneficiaries may be a natural person or persons or a fiduciary, such as a trustee of a trust or the legal representative of an estate. Any such designation shall take effect upon the death of the participant or such beneficiary, as the case may be, or in the case of any fiduciary beneficiary, upon the termination of all of its duties (other than the duty to dispose of the right to receive amounts remaining to be paid under the Plan or a Predecessor Plan). The conditions and limitations relating to the designation of beneficiaries are as follows:

(a) A nonfiduciary beneficiary shall have the right to designate a further beneficiary or beneficiaries only if the original participant or the next preceding primary beneficiary, as the case may be, shall have expressly so provided in writing; and

(b) A fiduciary beneficiary shall designate as a further beneficiary or beneficiaries only those persons or other fiduciaries who are entitled

to receive the amounts payable from the participant's account under the trust or estate of which it is a fiduciary.

Any beneficiary designation or grant of any power to any beneficiary under this subsection may be exercised only by an instrument in writing, executed by the person making the designation or granting such power and filed with the Secretary of Abbott during such person's lifetime or prior to the termination of a fiduciary's duties. If a deceased participant or a deceased nonfiduciary beneficiary who had the right to designate a beneficiary as provided above dies without having

designated a further beneficiary, or if no beneficiary designated as provided above is living or qualified and acting, the Committee, in its discretion, may direct distribution of the amount remaining from time to time to either:

(i) any one or more or all of the next of kin (including the surviving spouse) of the participant or the deceased beneficiary, as the case may be, and in such proportions as the Committee determines; or

(ii) the legal representative of the estate of the deceased participant or deceased beneficiary as the case may be.

5.8 STATUS OF BENEFICIARIES. Following a participant's death, the participant's beneficiary or beneficiaries will be considered and treated as an inactive participant for all purposes of this Plan.

5.9 NON-ASSIGNABILITY AND FACILITY OF PAYMENT. Amounts payable to participants and their beneficiaries under the Plan are not in any way subject to their debts and other obligations, and may not be voluntarily or involuntarily sold, transferred or assigned; provided that the preceding provisions of this section shall not be construed as restricting in any way a designation right granted to a beneficiary pursuant to the terms of subsection 5.7. When a participant or the beneficiary of a participant is under legal disability, or in the Committee's opinion is in any way incapacitated so as to be unable to manage his or her financial affairs, the Committee may direct that payments shall be made to the participant's or beneficiary's legal representative, or to a relative or friend of the participant or beneficiary for the benefit of the participant or beneficiary, or the Committee may direct the payment or distribution for the benefit of the participant or beneficiary in any manner that the Committee determines.

5.10 PAYER OF AMOUNTS ALLOCATED TO PARTICIPANTS. Any amount allocated to a participant in the Plan and any interest credited thereto will be paid by the employer (or such employer's successor) by whom the participant was employed during the fiscal year for which any amount was allocated, and for that purpose, if a participant shall have been employed by two or more employers during any fiscal year the amount allocated under this Plan for that year shall be an obligation of each of the respective employers in proportion to the respective amounts of base salary paid by each of them in that fiscal year.

5.11 MANNER OF PAYMENT. Subject to subsections 5.12, a participant shall elect the timing and manner of payment of his Deferred Account at the time of his deferral election under subsection 5.l. The participant may select a payment method from among alternative payment methods established by the Committee.

5.12 PAYMENT UPON TERMINATION FOLLOWING CHANGE IN CONTROL. Notwithstanding any other provisions of this Plan or the Predecessor Plans, or the provisions of any award made under this Plan or the Predecessor Plans, if employment of any participant with Abbott and its subsidiaries should terminate for any reason within five (5) years after the date of a Change in Control, the aggregate unpaid balance of all awards previously made to such participant under this Plan and all Predecessor Plans, plus any unpaid interest credited thereon, shall be paid to the participant in a lump sum within thirty (30) days following the date of such termination.

5.13 CHANGE IN CONTROL. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

(i) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of Abbott;

(ii) The date the shareholders of Abbott approve a definitive agreement (A) to merge or consolidate Abbott with or into another corporation, in which Abbott is not the continuing or surviving corporation or pursuant to which any common shares of Abbott would be converted into cash, securities or other property of another corporation, other than a merger of Abbott in which holders of common shares immediately prior to the merger have the same proportionate ownership of common

stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of Abbott; or

(iii) The date there shall have been a change in a majority of the Board of Directors of Abbott within a twelve (12) month period unless the nomination for election by Abbott's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

5.14 PROHIBITION AGAINST AMENDMENT. The provisions of subsections 5.12, 5.13 and this subsection 5.14 may not be amended or deleted, nor superseded by any other provision of this Plan, during the period beginning on the date of a Change in Control and ending on the date five (5) years following such Change in Control.

SECTION 6
MISCELLANEOUS

6.1 RULES. The Committee may establish such rules and regulations as it may consider necessary or desirable for the effective and efficient administration of the Plan.

6.2 MANNER OF ACTION BY COMMITTEE. A majority of the members of the Committee qualified to act on any particular question may act by meeting or by writing signed without meeting, and may execute any instrument or document required or delegate to one of its members authority to sign. The Committee from time to time may delegate the performance of certain ministerial functions in connection with the Plan, such as the keeping of records, to such person or persons as the Committee may select. Except as otherwise expressly provided in the Plan, the

costs of administration of the Plan will be paid by Abbott. Any notice required to be given to, or any document required to be filed with the Committee, will be properly given or filed if mailed or delivered in writing to the Secretary of Abbott.

6.3 RELIANCE UPON ADVICE. The Board of Directors and the Committee may rely upon any information or advice furnished to it by any Officer of Abbott or by Abbott's independent auditors, or other consultants, and shall be fully protected in relying upon such information or advice. No member of the Board of Directors or the Committee shall be liable for any act or failure to act on their part, excepting only any acts done or omitted to be done in bad faith, nor shall they be liable for any act or failure to act of any other member.

6.4 TAXES. Any employer shall be entitled, if necessary or desirable, to pay, or withhold the amount of any federal, state or local tax, attributable to any amounts payable by it under the Plan after giving the person entitled to receive such amount notice as far in advance as practicable, and may defer making payment of any amount with respect to which any such tax question may be pending unless and until indemnified to its satisfaction.

6.5 RIGHTS OF PARTICIPANTS. Employment rights of participants with Abbott and its subsidiaries shall not be enlarged or affected by reason of establishment of or inclusion as a participant in the Plan. Nothing contained in the Plan shall require Abbott or any subsidiary to segregate or earmark any assets, funds or property for the purpose of payment of any amounts which may have been deferred. The Deferred and Trust Accounts established pursuant to subsection 5.2 are for the convenience of the administration of the Plan and no trust relationship with respect to such Accounts is intended or should be implied. Participant's rights shall be limited to payment to them at the time or times and in such amounts as are contemplated by the

Plan. Any decision made by the Board of Directors or the Committee, which is within the sole and uncontrolled discretion of either, shall be conclusive and binding upon the other and upon all other persons whomsoever.

6.6 TAX GROSS UP. In addition to the allocations provided under subsection 4.1, each participant (or, if the participant is deceased, the beneficiary designated under the participant's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his or her Trust Account. The "Tax Gross Up" shall approximate: (a) the amount necessary to compensate the participant (or beneficiary) for the net increase in the participant's (or beneficiary's) federal, state and local income taxes as a result of the inclusion in his or her taxable income of the income of the participant's Grantor Trust and any Guaranteed Rate Payment for that year; less (b) any distribution to the participant (or beneficiary) of his or her Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the participant (or beneficiary) for the net increase in the taxes described in (a) above as a result of the inclusion in his or her taxable income of any payment made pursuant to this subsection 6.6. Payment of the Tax Gross Up shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets.

6.7 INCOME TAX ASSUMPTIONS. For purposes of Sections 5 and 6, a participant's federal income tax rate shall be deemed to be the highest marginal

rate of federal income individual tax in effect in the calendar year in which a calculation under those Sections is to be made, and state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and locality of the participant's residence on the date such a calculation is made, net of any federal tax benefits.

6.8 PAYMENT OF PRIOR DEFERRALS. Notwithstanding any other provision of this Plan, the Committee, in its absolute discretion, may direct that all or a portion of the balance in a participant's Deferred Account be paid in accordance with the provisions of subsection 5.1(b). In such event, the Committee shall establish and maintain a Trust Account in accordance with subsection 5.2 and, for purposes of subsection 5.4, shall treat such payment as if it were an allocation made for that fiscal year.

SECTION 7
AMENDMENT, TERMINATION AND CHANGE OF CONDITIONS RELATING TO PAYMENTS

7.1 AMENDMENT AND TERMINATION. The Plan will be effective from its effective date until terminated by the Board of Directors. During the fifth year after the Plan's effective date and during every fifth year thereafter, the Committee may recommend to the Board of Directors whether the Plan should be amended or terminated. The Board of Directors reserves the right to amend the Plan from time to time and to terminate the Plan at any time, except that no such amendment or any termination of the Plan shall reduce any fixed or contingent obligations which shall have arisen under the Plan prior to the date of such amendment or termination, or change the terms and conditions of payment of any allocation theretofore made without the consent of the participant concerned.

7.2 CHANGE OF CONDITIONS RELATING TO PAYMENTS. Following the establishment by the Committee of any conditions relating to the payment of any amount allocated to a participant for any fiscal year and any interest credited thereon (including the time of payment or the time of commencement of payment and any period over which payment shall be made), neither the Committee nor the participant concerned, acting unilaterally, shall have the power to change the conditions originally established by the Committee. However, in order to effectuate the purposes

of the Plan, any conditions initially established by the Committee may be changed thereafter by mutual agreement of the Committee and the participant concerned.

Exhibit A

IRREVOCABLE GRANTOR TRUST AGREEMENT

THIS AGREEMENT, made this _____ day of _____, 1991, by and between _____ of _____, Illinois (the "grantor"), and The Northern Trust Company located at Chicago, Illinois, as trustee (the "trustee"),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold certain benefits received by the grantor under the 1986 Abbott Laboratories Management Incentive Plan, as it may be amended from time to time;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may be referred to as the "_____ 1991 Grantor Trust".

I-2. THE TRUST FUND. The "trust fund" as at any date means all property then held by the trustee under this agreement.

I-3. STATUS OF THE TRUST. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4. THE ADMINISTRATOR. Abbott Laboratories ("Abbott") shall act as the "administrator" of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. Abbott will certify to the trustee from time to time the person or persons authorized to act on behalf of Abbott as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5. ACCEPTANCE. The trustee accepts the duties and obligations of the "trustee" hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II
DISTRIBUTION OF THE TRUST FUND

II-1. SEPARATE ACCOUNTS. The administrator shall maintain two separate accounts under the trust, a "rollout account" and a "deferred account." Funds delivered to the trustee shall be allocated between the accounts by the trustee as directed by the administrator. As of the end of each calendar year, the administrator shall charge each account with all distributions made from such account during that year; and credit each account with its share of income and realized gains and charge each account with its share of expenses and realized losses for the year. The trustee shall not be required to make any separate investment of the trust fund for the accounts, and may administer and invest all funds delivered to it under the trust as one trust fund.

II-2. DISTRIBUTIONS FROM THE ROLLOUT ACCOUNT PRIOR TO THE GRANTOR'S DEATH. The trustee shall distribute principal and accumulated income credited to the rollout account to the grantor, if then living, at such times and in such amounts as the administrator shall direct.

II-3. DISTRIBUTIONS FROM THE DEFERRED ACCOUNT PRIOR TO THE GRANTOR'S DEATH. Principal and accumulated income credited to the deferred account shall not be distributed from the trust prior to the grantor's retirement or other termination of employment with Abbott or a subsidiary of Abbott (the grantor's "settlement date"); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the deferred account for that year, with the balance of such income to be accumulated in that account. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the amounts from time to time credited to the deferred account to the grantor, if then living, in a series of annual installments, with the amount of each installment computed by one of the following methods:

(a) The amount of each installment shall be equal to the sum of: (i) the amount credited to the deferred account as of the end of the year in which the grantor's settlement date occurs, divided by the number of years over which installments are to be distributed; plus (ii) the net earnings credited to the deferred account for the preceding year (excluding the year in which the grantor's settlement date occurs).

(b) The amount of each installment shall be determined by dividing the amount credited to the deferred account as of the end of the preceding year by the difference between (i) the total number of years over which installments are to be distributed, and (ii) the number of annual installment distributions previously made from the deferred account.

(c) Each installment (after the first installment) shall be approximately equal, with the amount comprised of the sum of: (i) the amount of the first installment, plus interest thereon at the rate determined under the 1986 Abbott Laboratories Management Incentive Plan, compounded annually; and (ii) the net earnings credited to the deferred account for the preceding year.

Notwithstanding the foregoing, the final installment distribution made to the grantor under this paragraph II-3 shall equal the total principal and accumulated income then held in the trust fund. The grantor, by writing filed with the trustee and the administrator on or before the end of the calendar year in which the grantor's settlement date occurs (or the end of the calendar year in which this trust is established, if the grantor's settlement date has already occurred), may select both the period (which may not be less than ten years from the end of the calendar year in which the grantor's settlement date occurred) over which the installment distributions are to be made and the method of computing the amount of each installment. In the absence of such a written direction by the grantor, installment distributions shall be made over a period of ten years, and the amount of each installment shall be computed by using the method described in subparagraph (a) next above. Installment distributions under this Paragraph II-3 shall be made as of January 1 of each year, beginning with the calendar year following the year in which the grantor's settlement date occurs. The administrator shall inform the trustee of the amount of each installment distribution under this paragraph II-3, and the trustee shall be fully protected in relying on such information received from the administrator.

II-4. DISTRIBUTIONS FROM THE TRUST FUND AFTER THE GRANTOR'S DEATH. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income therefrom shall be distributed in a lump sum or, if the beneficiary is the grantor's spouse (or a trust for which the grantor's spouse is the sole income beneficiary), in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary's estate. If the grantor directs an installment method of distribution to a trust for which the grantor's spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be distributed in a lump sum to such trust. Despite the foregoing, if (i) the

beneficiary is a trust for which the grantor's spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-4 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

II-5. FACILITY OF PAYMENT. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-6. PERPETUITIES. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

ARTICLE III
MANAGEMENT OF THE TRUST FUND

III-1. GENERAL POWERS. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

(a) Subject to the limitations of subparagraph (b) next below, to sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.

(b) To retain in cash such amounts as the trustee considers advisable; and to invest and reinvest the balance of the trust fund, without distinction between principal and income, in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government or in any mutual fund, common trust fund or collective investment fund which invests solely in such obligations; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.

(c) To deposit cash in any depositary (including the banking department of the bank acting as trustee) without liability for interest, and to invest cash in savings accounts or time certificates of deposit bearing a reasonable rate of interest in any such depositary.

(d) To invest, subject to the limitations of subparagraph (b) above, in any common or commingled trust fund or funds maintained or administered by the trustee solely for the investment of trust funds.

(e) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.

(f) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

(g) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(h) To compromise, contest, settle or abandon claims or demands.

(i) To give proxies to vote stocks and other voting securities, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.

(j) To hold securities or other property in the name of a nominee, in a depositary or in any other way, with or without disclosing the trust relationship.

(k) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.

(l) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee consider necessary for its protection.

(m) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity without liability for any loss that may result.

(n) To appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.

(o) To appoint or remove by written instrument any bank, wherever located, as custodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.

(p) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on th advice of persons so employed without court action.

(q) To perform any and all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2. PRINCIPAL AND INCOME. Any income earned on the trust fund which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3. STATEMENTS. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4. COMPENSATION AND EXPENSES. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

ARTICLE IV
GENERAL PROVISIONS

IV-1. INTERESTS NOT TRANSFERABLE. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2. DISAGREEMENT AS TO ACTS. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any proper court.

IV-3. TRUSTEE'S OBLIGATIONS. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; and the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement.

IV-4. GOOD FAITH ACTIONS. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the trustee that it is acting according to this agreement will fully protect all persons dealing with the trustee.

IV-5. WAIVER OF NOTICE. Any notice required under this agreement may be waived by the person entitled to such notice.

IV-6. CONTROLLING LAW. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7. SUCCESSORS. This agreement shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

ARTICLE V
CHANGES IN TRUSTEE

V-1. RESIGNATION OR REMOVAL OF TRUSTEE. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2. APPOINTMENT OF SUCCESSOR TRUSTEE. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3. DUTIES OF RESIGNING OR REMOVED TRUSTEE AND OF SUCCESSOR TRUSTEE. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

ARTICLE VI
AMENDMENT AND TERMINATION

VI-1. AMENDMENT. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

(a) The duties and liabilities of the trustee cannot be changed substantially without its consent.

(b) This trust may not be amended so as to make the trust revocable.

VI-2. TERMINATION. This trust shall not terminate, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

* * *

IN WITNESS WHEREOF, the grantor and the trustee have executed this agreement as of the day and year first above written.

Grantor

The Northern Trust Company as Trustee

By

Its

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN

SECTION 1
PURPOSE

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

SECTION 2
DIRECTORS COVERED

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

SECTION 3
FEES PAYABLE TO DIRECTORS

3.1 Each Director shall be entitled to a deferred monthly fee of Six Thousand Six Hundred Sixty-Seven Dollars ($6,667.00) for each calendar month or portion thereof (excluding the month in which he is first elected a Director) that he holds such office with the Company.

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

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

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

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

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

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

SECTION 4
PAYMENT OF DIRECTORS' FEES

4.1 A Director's deferred fees earned pursuant to the Plan shall commence to be paid on the first day of the calendar month next following the earlier of his death or his attainment of age sixty-five (65) if he is not then serving as a Director, or the termination of his service as a Director if he serves as a Director after the attainment of age sixty-five (65); provided that any Director may, by written notice filed with the Secretary of the Company, elect to receive current payment of all or any portion of the monthly and meeting fees earned by him in calendar years subsequent to the calendar year in which he files such notice (or all or any portion of such fees earned by him in the calendar year he first becomes a Director, if such notice is filed within 30 days of becoming a

Director), in which case such fees or the portion thereof so designated earned in such calendar years shall not be deferred but shall be paid quarterly as earned and no interest shall be credited thereon. Such election may be revoked or modified by any Director by written notice to the Secretary of the Company as to fees to be earned by him in calendar years subsequent to the calendar year in which he files such notice.

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

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

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

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

(i) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of the Company;

(ii) The date the shareholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of the Company; or

(iii) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

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

SECTION 5
DIRECTORS' RETIREMENT BENEFIT

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

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

Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

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

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

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

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

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

SECTION 6
CONVERSION TO COMMON STOCK UNITS

6.1 Any Director who is then serving as a director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees previously earned but not yet paid, transferred from the Director's Deferred Fee Account to a Stock Account maintained on his or her behalf pursuant to paragraph 9.3. Any election as to a portion of such fees shall be expressed as a percentage and the same percentage shall be applied to all such fees regardless of the calendar year in which earned or to all deferred fees earned in designated calendar years, as specified by the Director. A Director may make no more than one election under this paragraph 6.l in any calendar year. All such elections may apply only to deferred fees for which an election has not previously been made and shall be irrevocable.

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

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

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

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

SECTION 7
MISCELLANEOUS

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

(a) any one or more or all of the next of kin (including the surviving spouse) of the Director or former Director, and in such proportions as the Company determines; or

(b) the legal representative or representatives of the estate of the last to die of the Director or former Director and his last surviving beneficiary.

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

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

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

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

SECTION 8
AMENDMENT AND DISCONTINUANCE

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

SECTION 9
ALTERNATE PAYMENT OF DEFERRED FEES

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

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

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

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

(a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the deferred account maintained under his or her Grantor Trust (other than distributions of trust earnings in excess of the Net Interest Accrual authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below); multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Deferred Fee Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the deferred account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to the deferred fees that have not been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the deferred account maintained thereunder) pursuant to paragraph 9.2; and

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to paragraph 9.6.

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

(a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the stock account maintained under his or her Grantor Trust (other than distributions of trust earnings authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below); multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Stock Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the stock account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to the deferred fees that have been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the stock account maintained thereunder) pursuant to paragraph 9.2; and

(c) FINALLY, credit an amount equal to the Book Value Adjustments to be made for that year pursuant to paragraph 9.6.

9.6 As of the end of each calendar year, a Director's Deferred Fee Trust Account shall be credited with interest at the rate described in paragraph 3.7. Any amount so credited shall be referred to as a Director's "Interest Accrual". As of that same date, a Director's Stock Trust Account shall be adjusted as provided in paragraph 6.4, and shall also be adjusted to reflect the increase or decrease in the fair market value of the Company's common stock determined in accordance with paragraph 6.5. Such adjustments shall be referred to as "Book Value Adjustments."

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

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

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

for that year; less (b) any distribution to the Director (or beneficiary) of his or her Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the Director (or beneficiary) for the net increase in the taxes described in (a) above as a result of the inclusion in his or her taxable income of any payment made pursuant to this paragraph 9.9.

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

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

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

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

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

Exhibit A

IRREVOCABLE GRANTOR TRUST AGREEMENT

THIS AGREEMENT, made this _____ day of _____, 198_, by and between _____ of _____,_____ (the "grantor"), and The Northern Trust Company, located at Chicago, Illinois, as trustee (the "trustee"),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold certain benefits received by the grantor under the Abbott Laboratories Non-Employee Directors' Fee Plan, as it may be amended from time to time;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may be referred to as the "_____ 1988 Grantor Trust".

I-2. THE TRUST FUND. The "trust fund" as at any date means all property then held by the trustee under this agreement.

I-3. STATUS OF THE TRUST. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4. THE ADMINISTRATOR. Abbott Laboratories ("Abbott") shall act as the "administrator" of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. Abbott will certify to the trustee from time to time the person or persons authorized to act on behalf of Abbott as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5. ACCEPTANCE. The trustee accepts the duties and obligations of the "trustee" hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II
DISTRIBUTION OF THE TRUST FUND

II-1. SEPARATE ACCOUNTS. The administrator shall maintain two separate accounts under the trust, a "deferred account" and a "stock account." Funds delivered to the trustee shall be allocated between the accounts by the trustee as directed by the administrator. As of the end of each calendar year, the administrator shall charge each account with all distributions made from such

account during that year; and credit each account with its share of income and realized gains and charge each account with its share of expenses and realized losses for the year. The trustee shall be required to make separate investments of the trust fund for the accounts, and may not administer and invest all funds delivered to it under the trust as one trust fund.

II-2. DISTRIBUTIONS PRIOR TO THE GRANTOR'S DEATH. Principal and accumulated income shall not be distributed from the trust prior to the grantor's termination of service as a Director of Abbott (the grantor's "settlement date"); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the trust fund for that year, with the balance of such income to be accumulated in the trust. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the trust fund to the grantor, if then living, in a series of annual installments, commencing on the first day of the month next following the later of the grantor's settlement date or the date the grantor attains age 65 years. The administrator shall inform the trustee of the number of installment distributions and the amount of each installment distribution under this paragraph II-2, and the trustee shall be fully protected in relying on such information received from the administrator.

II-3. DISTRIBUTIONS AFTER THE GRANTOR'S DEATH. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income thereof shall be distributed in a lump sum or, if the beneficiary is the grantor's spouse (or a trust for which the grantor's spouse is the sole income beneficiary), in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary's estate. If the grantor directs an installment method of distribution to a trust for which the grantor's spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be

distributed in a lump sum to such trust. Despite the foregoing, if (i) the beneficiary is a trust for which the grantor's spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-3 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

II-4. FACILITY OF PAYMENT. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-5. PERPETUITIES. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

ARTICLE III
MANAGEMENT OF THE TRUST FUND

III-1. GENERAL POWERS. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

(a) Subject to the limitations of subparagraph (b) next below, to sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.

(b) To retain in cash such amounts as the trustee considers advisable; and to invest and reinvest the balance of the trust fund, without distinction between principal and income, in common stock of Abbott Laboratories, or in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government or in any mutual fund, common trust fund or collective investment fund which invests solely in such obligations; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.

(c) To deposit cash in any depositary (including the banking department of the bank acting as trustee) without liability for interest, and to invest cash in savings accounts or time certificates of deposit bearing a reasonable rate of interest in any such depositary.

(d) To invest, subject to the limitations of subparagraph (b) above, in any common or commingled trust fund or funds maintained or administered by the trustee solely for the investment of trust funds.

(e) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.

(f) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

(g) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(h) To compromise, contest, settle or abandon claims or demands.

(i) To give proxies to vote stocks and other voting securities, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.

(j) To hold securities or other property in the name of a nominee, in a depositary, or in any other way, with or without disclosing the trust relationship.

(k) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.

(l) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee considers necessary for its Protection.

(m) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity, without liability for any loss that may result.

(n) To appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.

(o) To appoint or remove by written instrument any bank, wherever located, as custodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.

(p) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on the advice of Persons so employed without court action.

(q) To perform any and all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2. PRINCIPAL AND INCOME. Any income earned on the trust fund which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3. STATEMENTS. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4. COMPENSATION AND EXPENSES. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

ARTICLE IV
GENERAL PROVISIONS

IV-1. INTERESTS NOT TRANSFERABLE. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2. DISAGREEMENT AS TO ACTS. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any proper court.

IV-3. TRUSTEE'S OBLIGATIONS. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; and the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement.

IV-4. GOOD FAITH ACTIONS. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the trustee that it is acting

according to this agreement will fully protect all persons dealing with the trustee.

IV-5. WAIVER OF NOTICE. Any notice required under this agreement may be waived by the Person entitled to such notice.

IV-6. CONTROLLING LAW. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7. SUCCESSORS. This agreement shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

ARTICLE V
CHANGES IN TRUSTEE

V-1. RESIGNATION OR REMOVAL OF TRUSTEE. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2. APPOINTMENT OF SUCCESSOR TRUSTEE. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3. DUTIES OF RESIGNING OR REMOVED TRUSTEE AND OF SUCCESSOR TRUSTEE. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

ARTICLE VI
AMENDMENT AND TERMINATION

VI-1. AMENDMENT. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

(a) The duties and liabilities of the trustee cannot be changed substantially without its consent.

(b) This trust may not be amended so as to make the trust revocable.

VI-2. TERMINATION. This trust shall not terminate, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

IN WITNESS WHEREOF, the grantor and the trustee have executed this agreement as of the day and year first above written.

Grantor

The Northern Trust Company, as Trustee

By

Its

ABBOT LABORATORIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(DOLLARS IN MILLIONS EXCEPT RATIOS)

	2001	2000	1999	1998	1997
NET EARNINGS	$ 1,550	$ 2,786	$ 2,446	$ 2,334	$ 2,079
ADD (DEDUCT):					
Income Taxes	333	1,030	951	908	856
Capitalized interest cost, net of amortization	(6)	(3)	(1)	1	(1)
Minority interest	17	8	8	7	11
NET EARNINGS AS ADJUSTED	$ 1,894	$ 3,821	$ 3,404	$ 3,250	$ 2,945
FIXED CHARGES:					
Interest on long-term and short-term debt	307	114	145	160	135
Capitalized interest cost	22	18	13	14	14
Rental expense representative of an interest factor	50	48	44	40	29
TOTAL FIXED CHARGES	379	180	202	214	178
TOTAL ADJUSTED EARNINGS AVAILABLE FOR PAYMENT OF FIXED CHARGES	$ 2,273	$ 4,001	$ 3,606	$ 3,464	$ 3,123
RATIO OF EARNINGS TO FIXED CHARGES	6.0	22.2	17.9	16.2	17.5

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.

SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of Abbott Laboratories. Abbott Laboratories is not a subsidiary of any other corporation. Where ownership of a subsidiary is less than 100% by Abbott Laboratories or an Abbott Laboratories' subsidiary, such has been noted by designating the percentage of ownership.

Domestic Subsidiaries	Incorporation
Abbott Bioresearch Center, Inc.	Delaware
Abbott Chemicals Plant, Inc.	Puerto Rico
Abbott Equity Investments LLC	Delaware
Abbott Exchange Inc.	Delaware
Abbott Fermentation Products Puerto Rico de Puerto Rico, Inc.	Puerto Rico
Abbott Health Products, Inc.	Delaware
Abbott Home Infusion Services of New York New York, Inc.	New York
Abbott International Ltd.	Delaware
Abbott International Ltd. Puerto Rico of Puerto Rico	Puerto Rico
Abbott Investment Holding Company, LLC	Delaware
Abbott Laboratories Inc.	Delaware
Abbott Laboratories International Co.	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico
Abbott Laboratories Purchasing Company, LLC	Delaware
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Management Corporation	Delaware
Abbott Pharmaceutical Corporation	Delaware
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal Ltd.	Delaware
CG Nutritionals, Inc.	Delaware
CMM Transportation, Inc.	Delaware
IMTC Technologies, Inc.	Delaware
Knoll	

Pharmaceutical Company New Jersey Murex Diagnostics, Inc. Delaware North Shore Properties, Inc. Delaware Oximetrix, Inc. Delaware Perclose, Inc. Delaware Solartek Products, Inc. Delaware Sorenson Research Co., Inc. Utah Swan-Myers, Incorporated Indiana TAP Finance Inc. Delaware 50%* TAP Pharmaceuticals Inc. Delaware 50%* TAP Pharmaceutical Products Inc. Delaware 50% Tobal Products Incorporated Illinois Vysis, Inc. Delaware

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* Wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

Country in Which Foreign Subsidiaries Organized
-- Abbott Laboratories Argentina, S.A.
Argentina Abbott Australasia Pty. Limited
Australia Abbott Australia Holdings (Pty) Ltd.
Australia Abbott Laboratories Executive Superannuation Pty. Limited
Australia Abbott Laboratories Superannuation Pty. Limited
Australia Knoll Australia Pty. Ltd.
Australia Abbott Gesellschaft m.b.H.
Austria Abbott Hospitals Limited
Bahamas Abbott Laboratories de Costa Rica Ltd.
Bahamas Abbott Laboratories (Bangladesh) Ltd.
Bangladesh 85% Murex Diagnostics International, Inc.
Barbados Abbott, S.A.
Belgium Abbott Belgian Pension Fund A.S.B.L.
Belgium Knoll Belgium S.A./N.V.
Belgium Abbott Ireland
Bermuda Abbott Biotechnology Ltd.
Bermuda Abbott Laboratories (Bermuda) Ltd.
Bermuda Abbott Laboratorios do Brasil Ltda.
Brazil Abbott Laboratories, Limited
Canada International Murex Technologies Canada

Corporation Abbott Laboratories de Chile Chile Limitada Shanghai Abbott Pharmaceutical Co., Ltd. China 75% Abbott Laboratories de Colombia, S.A. Colombia Knoll Colombiana S.A. Colombia Laboratorio Farmaceutico Abbott Laboratories s.r.o. Czech Republic Knoll spol. s.r.o. Czech Republic Abbott Laboratories A/S Denmark Abbott Laboratorios del Ecuador Cia. Ltda. Ecuador Abbott, S.A. de C.V. El Salvador Abbott Equity Holdings Ltd. England Abbott Investments Limited England Abbott Laboratories Limited England Abbott (UK) Finance Limited England Abbott (UK) Holdings Limited England Abbott Laboratories Trustee England Company Limited IMTC Holdings (UK) Limited England Knoll Ltd. England Knoll Pharma Ltd. England Knoll Pharmaceuticals Company Ltd. England Lupharma UK Holding One Limited England MediSense Britain Limited England MediSense Contract Manufacturing Limited England MediSense UK Limited England Murex Biotech Limited (UK) England Murex Biotech (UK) Limited England Abbott OY Finland Abbott France S.A. France Alcyon Analyzer SAS France Knoll Sante Active S.A. France Laboratoires Knoll France S.A. France MediSense France SARL France Abbott Holding G.m.b.H. Germany Abbott G.m.b.H. & Co. KG Germany Abbott Diagnostics G.m.b.H Germany Abbott Management GmbH Germany GAG Aktiengesellschaft fur Wohnungs-, Germany Gewerbe-und Stadtebau Heidelberg Innovation GmbH Germany Heidelberg Innovation GmbH & Co. Germany Bioscience Venture KG S.T.E.P. Personalentwicklungs- Germany gesellschaft mbH Abbott Laboratories (Hellas) S.A. Greece Abbott Grenada Limited Grenada Abbott Laboratorios, S.A. Guatemala Abbott Laboratories Limited Hong Kong Abbott Laboratories (Hungary) Ltd. Hungary Abbott Laboratories (India)

Ltd. India 51% Abind Healthcare Private Limited India Knoll Pharmaceuticals Ltd. India 51% Lembrook Pharmaceuticals Ltd. India P. T. Abbott Indonesia Indonesia 99.99% Abbott Laboratories, Ireland, Ireland Limited Abbott Ireland Ltd. Ireland Murex Medical Research Limited Isle of Mann Technology License Company Limited Isle of Mann Abbott S.p.A. Italy Autonomous Employee Welfare Fund for Italy Abbott S.p.A. Dirigenti Abbott West Indies Limited Jamaica 51% Consolidated Laboratories Limited Jamaica Abbott Japan K.K. Japan Dainabot Co., Ltd. Japan 82% Hokuriku Seiyaku Co., Ltd. Japan 67% Knoll Japan KK Japan Tofuku Shoii K.K. Japan Abbott Korea Limited Korea Abbott Middle East S.A.R.L. Lebanon Abbott Laboratories Malaysia (Malaysia) Sdn. Bhd. Abbott Laboratories de Mexico Mexico, S.A. de C.V. Immobiliaria Candeleria S.A. Mexico Abbott Logistics B.V. The Netherlands Abbott B.V. The Netherlands Abbott Laboratories B.V. The Netherlands Abbott Finance B.V. The Netherlands Abbott Holdings B.V. The Netherlands Knoll B.V. The Netherlands MediSense Europe B.V. The Netherlands IMTC Holdings B.V. The Netherlands IMTC Finance B.V. The Netherlands Abbott Laboratories (N.Z.) Limited New Zealand Abbott Norge AS Norway Abbott Laboratories (Pakistan) Limited Pakistan 83.42% Knoll Pharmaceuticals Ltd. Pakistan 56.46% Abbott Laboratories, C.A. Panama Abbott Overseas, S.A. Panama Abbott Laboratorios S.A. Peru Abbott Laboratories (Philippines) Philippines Knoll Philippines, Inc. Philippines Abbott Laboratories Sp. z.o.o. Poland Abbott Laboratorios, Limitada Portugal Abbottfarma - Promocao de Produtos Portugal Farmaceuticos, Limitada Knoll Lusitania Ltda. Portugal Abbott Laboratories (Singapore)

Singapore Private Limited Abbott Laboratories Slovakia s.r.o. Slovakia Abbott Laboratories South Africa South Africa (Pty.) Limited Knoll Pharmaceuticals South Africa South Africa Abbott Laboratories, S.A. Spain Abbott Cientifica, S.A. Spain Bioresearch S.A. Spain Murex Diagnosticos, S.A. Spain Laboratorios Knoll, S.A. Spain Liade S.A. Spain Lufarma Espanola, S.L. Spain Abbott Scandinavia A.B. Sweden Abbott A.G. Switzerland Abbott Laboratories S.A. Switzerland Abbott Finance Company S.A. Switzerland Knoll AG Switzerland Knoll Bio-Research S.A. Switzerland Abbott Laboratories Limited Thailand Abbott Laboratuarlari Ithalat Ihracat Turkey Ve Tecaret Limited Sirketi Knoll Alman Ilac ve Ecza tic. Ltd. Sti Turkey Abbott Laboratories Uruguay Limitada Uruguay Abbott Laboratories, C.A. Venezuela

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports included in this Form 10-K into Abbott's previously filed Form S-8 Registration Statements 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program, 333-09071, 333-43381, 333-69547, 333-93253, 333-52768 and 333-74228 for the Abbott Laboratories 1996 Incentive Stock Program, 333-13091 and 333-74222 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust, 333-68268 for the Abbott Laboratories 401(k) Plan and Trust, 333-74220 for the Abbott Laboratories Deferred Compensation Plan, 333-76516 for the Abbott Laboratories Employee Share Ownership Plan, 333-75442 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan, and 33-26685, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257 and 333-74224 for the Abbott Laboratories Stock Retirement Plan and Trust; Abbott's previously filed post-effective Amendment No. 1 to Registration Statement on Form S-8 333-85867 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and into Abbott's previously filed S-3 Registration Statements 33-50253, 333-06155, 333-63481, 333-65601, 333-83647, and 333-55446.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 20, 2002

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Financial Review and other sections of this Form 10-K contain forward-looking statements that are based on management's current expectations, estimates and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of these words and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those listed below, may cause actual results to differ materially from current expectations, estimates, projections and from past results.

- Economic factors including changes in the rate of inflation, business conditions, interest rates, foreign currency exchange rates, and market value of Abbott's equity investments.

- Competitive factors, including: (i) pricing pressures, both in the United States and abroad, primarily from managed care groups and government agencies, (ii) the development of new products by competitors having lower prices or superior performance or that are otherwise competitive with Abbott's current products, (iii) generic competition when Abbott's products lose their patent or regulatory protection, (iv) technological advances, patents and registrations obtained by competitors and (v) problems with licensors, suppliers and distributors.

- Difficulties and delays inherent in the development, manufacturing, marketing, or sale of products including: (i) efficacy or safety concerns, (ii) delays in the receipt of or the inability to obtain required approvals, (iii) the suspension or revocation of the authority necessary for manufacture, marketing, or sale, (iv) the imposition of additional or different regulatory requirements, such as those affecting labeling, (v) seizure or recall of products, (vi) the failure to obtain, the imposition of limitations on the use of, or the loss of patent and other intellectual property rights, (vii) loss of regulatory exclusivity, and (viii) manufacturing or distribution problems.

- Governmental action including: (i) new laws, regulations and judicial decisions related to health care availability, method of delivery and payment for health care products and services, (ii) changes in the Federal Food and Drug Administration and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity, (iii) new laws, regulations and judicial decisions affecting pricing or marketing and (iv) changes in the tax laws relating to Abbott's operations.

- Changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission or the American Institute of Certified Public Accountants.

- Changes in costs or expenses, including variations resulting from changes in product mix, changes in tax rates both in the United States and abroad, the effects of acquisitions, dispositions or other events occurring in connection with evolving business strategies.

- Complying with the consent decree between Abbott and the United States Food and Drug Administration (this consent decree is described in the portion of this Form 10-K captioned "Regulation") and Abbott's ability to return diagnostic products to market successfully.

- Legal difficulties, any of which could preclude commercialization of products or adversely affect profitability, including: claims asserting antitrust violations, claims asserting securities law violations, claims asserting violations of the Federal False Claims Act, Anti-Kickback Act, the Prescription Drug Marketing Act or other violations in connection with Medicare and/or Medicaid reimbursement, derivative actions, product liability claims, disputes over intellectual property rights (including patents) and environmental matters.

No assurance can be made that any expectation, estimate or projection contained in a forward-looking statement can be achieved. Readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.