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

FORM 10-K

(MARK ONE)

☒	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
☐	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation
100 Abbott Park Road
Abbott Park, Illinois 60064-6400

36-0698440
(I.R.S. employer identification number)
(224) 667-6100
(telephone number)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	ABT	New York Stock Exchange Chicago Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	**Accelerated Filer ☐**	**Non-Accelerated Filer ☐**	**Smaller reporting company ☐**
			Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ **No** ☒

The aggregate market value of the 1,730,623,501 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2021), was $200,631,182,471. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2022: 1,763,482,267

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2022 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 18, 2022.

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.

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon™, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal™ and Dicetel™, for the treatment of irritable bowel syndrome or biliary spasm; Heptral™, Transmetil™, and Samyr™, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac™, for regulation of the physiological rhythm of the colon;
- women's health products, including Duphaston™, for the treatment of many different gynecological disorders; and Femoston™, a hormone replacement therapy for postmenopausal women;
- cardiovascular and metabolic products, including Lipanthyl™ and TriCor™, for the treatment of dyslipidemia; Teveten™ and Teveten™ Plus, for the treatment of essential hypertension, and Physiotens™, for the treatment of hypertension; and Synthroid™, for the treatment of hypothyroidism;
- pain and central nervous system products, including Serc™, for the treatment of Ménière's disease and vestibular vertigo; Brufen™, for the treatment of pain, fever, and inflammation; and Sevedol™, for the treatment of severe migraines; and
- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin™, Klacid™, and Klaricid™); and Influvac™, an influenza vaccine.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building strong brands with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors may increase competitive pressures.

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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.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, retailers, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion medicine, including the Alinity® family of instruments, ARCHITECT®, ABBOTT PRISM®, and Cell-Dyn®, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, therapeutic drug monitoring, and a suite of SARS-CoV-2 serology assays;
- molecular diagnostics polymerase chain reaction (PCR) instrument systems, including Alinity® m and m2000® that automate the extraction, purification, and preparation of DNA and RNA from patient samples, and detect and measure infectious agents including HIV, hepatitis, HPV, sexually transmitted infections, SARS-CoV-2 and influenza A & B, and respiratory syncytial virus (RSV);and products for oncology with the Vysis® FISH product line of genomic-based tests;
- point of care systems, including the i-STAT® and next-generation i-STAT® Alinity® and cartridges for testing blood gas, chemistry, electrolytes, coagulation and immunoassay;
- rapid diagnostics lateral flow testing products in the area of infectious diseases such as SARS-CoV-2, including the BinaxNOW® and Panbio® rapid testing platforms, influenza, HIV, hepatitis, and tropical diseases such as malaria and dengue fever; molecular point-of-care testing for HIV, including the m-PIMA® HIV-1/2 Viral Load Test, and for SARS-CoV-2 and influenza A & B, RSV and strep A, including the ID NOW® rapid molecular system; cardiometabolic testing, including Afinion® and Cholestech LDX® platforms and tests; a toxicology business for drug and alcohol testing; and remote patient monitoring and consumer self-testing; and
- informatics and automation solutions for use in laboratories, including laboratory automation systems such as the GLP track system,the RALS® point of care solution, and AlinIQ®, a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

- various forms of infant formula and follow-on formula, including Similac®, Similac® 360 Total Care®, Similac Pro-Advance®, Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive®, Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac®, Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Similac Total Comfort®, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain™, Grow™, Similac En Mei Li™, and Eleva™;
- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure® Max Protein, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure™, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound™, Pedialyte® and Zone Perfect®; and
- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego™ (Enteral Pump) and Freego™ sets, Nepro®, and Vital®.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, nutritional products are also promoted directly to the public by consumer marketing efforts in markets where permitted.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Medical Devices

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, and diabetes care products for people with diabetes, as well as neuromodulation devices for the management of chronic pain and movement disorders. Medical devices are manufactured, marketed and sold worldwide. In the United States, depending upon the product, medical devices are generally marketed and sold directly to wholesalers, hospitals, ambulatory surgery centers, physicians' offices, and distributors 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.

The principal products included in the Medical Devices segment are:

- rhythm management products, including Assurity MRI® and Endurity MRI® pacemaker systems; Ellipse®, Fortify Assura®, and Gallant™ implantable cardioverter defibrillators and Gallant and Quadra Assura MP® implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint® Pacing technology; and Confirm Rx® and Jot Dx™ implantable cardiac monitors;
- electrophysiology products, including the TactiCath® family of ablation catheters and FlexAbility® irrigated ablation catheters; Ampere® RF ablation generator; EnSite® family of cardiac mapping systems; Agilis™ NxT Steerable Introducer; the Advisor® HD Grid mapping catheter; ViewFlex™ family of intracardiac echocardiography catheters; and ViewMate™ Ultrasound System;
- heart failure related products, including the HeartMate® left ventricular device family, the CardioMEMS® HF System pulmonary artery sensor, a heart failure monitoring system, and the CentriMag® System, an acute circulatory support system;
- vascular products, including the XIENCE® family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE®, Perclose ProGlide® and Perclose ProStyle® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal II® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/Emboshield NAV6®, carotid stent systems; the OPTIS® integrated systems with Ultreon™ 1.0 Software, compatible with the Dragonfly OPTIS® imaging catheter and PressureWire® fractional flow reserve measurement systems; and the JETi™ peripheral thrombectomy systems for clot removal;
- structural heart products, including MitraClip®, a transcatheter mitral valve repair system; Trifecta® Valve with Glide™ Technology, a surgical tissue heart valve; Portico® and Navitor™ transcatheter aortic heart valves; Regent™ mechanical heart valves; Amplatzer® PFO occluders; Amplatzer Amulet® occluder devices; the Tendyne® Transcatheter Mitral Valve Implantation (TMVI) system; and the TriClip® Transcatheter Tricuspid Valve Repair System;
- continuous glucose and blood glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand such as the FreeStyle Libre® system; and
- neuromodulation products, including spinal cord stimulators Proclaim® Elite and Proclaim® XR Recharge-free implantable pulse generators (IPG) and Prodigy MRI® IPG, each with BurstDR® stimulation, and Proclaim® DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the Infinity® Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

These products are subject to competition in technological innovation, price, convenience of use, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

Abbott purchases, in the ordinary course of business, raw materials and supplies essential to Abbott's operations from numerous suppliers in the United States and around the world. Due to disruptions to the global supply chain caused in part by the COVID-19 pandemic, Abbott has experienced availability issues with some materials and electronic components. To date, Abbott has been able to manage these challenges without significant supply disruptions or shortages for raw materials and supplies. A more detailed discussion on the COVID-19 pandemic's disruption of the global supply chain and its resulting impact on Abbott's business is contained in "*Abbott is subject to risks related to public health crises, such as widespread outbreaks of infectious diseases like the COVID-19 pandemic.*" in "Economic and Industry Risk" under "Item 1A. Risk Factors."

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 countries of interest to Abbott. Abbott owns or has licenses 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 3. These, and various patents which expire during the period 2022 to 2042, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

Seasonal Aspects, Customers, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal, state, and various other countries' 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 2021 were not material and are not expected to be material in 2022.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation 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.

Human Capital

The sustainability of Abbott's business depends on attracting, engaging and developing talented people with diverse backgrounds who share Abbott's mission to help people live their healthiest possible lives. Abbott provides its employees opportunities to grow and develop their careers, market competitive compensation and benefit programs, and the satisfaction of being part of a global company dedicated to improving health in more than 160 countries.

As of December 31, 2021, Abbott employed approximately 113,000 people, 70% of whom were employed outside of the U.S. Women represented 47% of Abbott's U.S. workforce, 45% of its global workforce, and 40% of its managers.

Health and Safety

The health, safety and wellness of its employees is an Abbott priority embedded at every level of its business. Abbott's integrated Environmental, Health and Safety organization governs health, safety and wellness at Abbott's facilities. Abbott also maintains global policies and standards for managing employee health and safety.

Abbott takes a holistic approach to employee well-being. Abbott's global wellness programs are designed to meet the unique needs of employees across businesses and geographies and offer a wide range of programs, including supporting the mental, financial and physical health of employees and their families. For example, for over 20 years, Abbott has annually offered Exercise Across Abbott, which is a four-week physical wellness program that encourages employees to team up with colleagues and track how many minutes they exercise each day. Over 21,000 Abbott employees across 73 countries took part in 2021.

During the COVID-19 pandemic, Abbott has taken aggressive steps to limit exposure and enhance the safety of facilities for its employees, including providing and requiring the use of personal protective equipment and at many facilities, providing vaccinations, providing and requiring onsite COVID-19 testing, and implementing social distancing. In some locations, employees also have received free over-the-counter COVID-19 tests for at-home use.

Talent Management

Abbott has an integrated global talent management process that is designed to identify and assess talent across the organization and provide equal and consistent opportunities for employees to develop their skills. All levels of employees participate in Abbott's annual performance management process to create development plans that support their particular career objectives, and Abbott provides a broad range of training, mentoring and other development opportunities to help its employees meet these objectives. The board of directors conducts an annual Talent Management Review, focusing on development of talent, diversity, and succession planning for critical positions. Similar reviews take place at every level of Abbott to develop talent and diversity across the organization.

Diversity and Inclusion

Abbott is committed to developing a workplace that is inclusive for all. Abbott ties executive compensation to human capital management, including diversity outcomes, to sustain an inclusive culture and the fair and balanced treatment of Abbott's employees. In 2021, Abbott issued its first-ever diversity, equity, and inclusion report, which describes Abbott's plans, strategies, and actions to fulfill its commitment to develop an inclusive workplace.

Abbott's employee networks play an important role in building an inclusive culture across all Abbott operations. A member of Abbott's senior management serves as a sponsor for each of these networks, helping to align their objectives with Abbott's business strategies. Abbott has ten such networks, which are: Advancing Professionals Network (supporting early career employees), Asian Leadership and Cultural Network, Black Business Network, Flex Network (supporting employees with part-time and flexible schedules), LA VOICE Network (supporting Hispanic and Latino employees), disABILITY Network (supporting people with disabilities), PRIDE (supporting LGBTQ employees), Veterans Network, Women Leaders of Abbott, and Women in STEM. All Abbott employees are encouraged to join any of the employee networks.

Abbott offers professional development programs, which provide recent college graduates the opportunity to rotate through different areas of Abbott, often with the chance to work outside their home country. In 2021, 50% of the participants were women. Also, Abbott hosts hundreds of college students for paid internships. In 2021, 58% of the U.S. interns were women and 48% were minorities. Further, Abbott has offered a STEM internship program for high school students in the U.S. since 2012 and beginning in 2021, students who complete the program are eligible to receive college credit for their experience. The program's objective is to increase the number of students pursuing STEM-related careers and contribute to a more diverse talent pipeline for Abbott. In 2021, 62% of the STEM interns were women and 68% were minorities.

Compensation and Benefits

Abbott is committed to building, retaining, and motivating a diverse talent pipeline that can meet the current and future needs of its businesses. To that end, Abbott provides market competitive compensation, healthcare benefits, continuing education benefits, pension and/or retirement savings plans, financial support for employees with student loan debt, and several programs to facilitate employees building an ownership stake in Abbott, including a global long-term incentive program for employees generally beginning at the manager level. Abbott also has procedures and processes focused on ensuring employees receive equitable compensation, regardless of race or gender or other personal characteristics.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration (FDA) and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Administration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

During the COVID-19 public health emergency, many pandemic-related products (including diagnostic tests) were authorized by regulators for emergency use solely during the pandemic. In addition, many governments enacted policies to expedite or promote access to health care in order to slow or stop the spread of the virus. Examples include expansion of telehealth coverages and increased reimbursements for diagnostic testing. It is uncertain when the public health emergency will end and to what extent these policies will continue or revert back to previous policies.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's laboratory facilities, home monitoring services,and durable medical equipment suppliers, which provide services, related products and medical devices to consumers, are subject to additional laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. In the United States, Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations and significant changes thereto (such as the introduction of the Medical Device Regulation and the In Vitro Diagnostic Medical Device Regulation in the European Union) substantially increase the time, difficulty, and costs incurred in developing, obtaining and maintaining approval to market, and marketing newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future. In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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 the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Other payment methodology changes have been proposed and implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act established a new payment system for clinical laboratory tests in 2018.

The Patient Protection and Affordable Care Act (the Affordable Care Act) includes provisions known as the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. In October 2018, the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act significantly expanded the types of healthcare providers for which reporting is required, beginning with reports filed in 2022. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes or implementation of new health care legislation could result in significant changes to health care systems. In the United States, this could include potential modification, including expansion or repeal of all or parts of the Affordable Care Act.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information, financial information and other sensitive personal information), is increasing. For example, the European Union, China, various other countries, and various U.S. states (e.g., California, Virginia, and Colorado) have enacted data protection laws that contain significant compliance obligations and financial penalties for noncompliance. In addition, regulators with general consumer protection authority, such as the Federal Trade Commission and U.S. states Attorneys General, are focused on how consumer data is used by entities in the health care industry. Further, there are regulations of data privacy and security that are specific to health care companies. For example, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in business disruption and enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the manufacture, quality assurance requirements, marketing authorization processes, post-market surveillance requirements, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect the timing and expense associated with bringing health care products or services to market, access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems,

create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission (the Commission). These reports and other information are also available, free of charge, at www.sec.gov.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (*www.abbottinvestor.com*).

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Business and Operational Risks

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

Abbott depends on sophisticated information technology systems and maintains protected personal data, and a cyber attack or other breach affecting these information technology systems or protected data could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised or stolen. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, manufacturing challenges or disruption, problems with product functionality, damage to customer relations, reputational damage, lost revenue, and legal or regulatory penalties.

Abbott also collects, manages and processes protected personal data, including protected health information, in connection with certain medical products and service offerings. Abbott is subject to certain regional and local data protection laws that prohibit or restrict the transfer of protected data across country borders. For additional information concerning data privacy and security regulation, see the discussion in "Regulation" under Item 1, "Business." A breach of protected personal information could result in adverse consequences, including regulatory inquiries or litigation, increased costs and expenses, reputational damage, lost revenue, and fines or penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats or vulnerabilities and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Similarly, there can be no assurance that third party information technology providers with whom Abbott contracts will not suffer a significant attack or disruption that impacts customers like Abbott. Any significant breach, attack or other disruption involving Abbott's systems or products could have a material adverse effect on Abbott's business.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A risk of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry or regulatory standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or the global supply chain, cyber attacks, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a lot or batch of product, those products may have to be discarded. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. Any of these events could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other lots, batches or products. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Abbott has significant indebtedness, which could adversely affect its business, including decreasing its business flexibility.

As of December 31, 2021, Abbott's consolidated indebtedness was approximately $18.1 billion. This consolidated indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit ratings. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

Legal and Regulatory Risks

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the FDA and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug, medical device, diagnostic product, or nutritional product can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

Changes in the health care regulatory environment may adversely affect Abbott's business.

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to Abbott's products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services. These provisions may be modified, expanded, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

The expiration or loss of intellectual property protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other companies, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for, or injury to, patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Economic and Industry Risks

Abbott is subject to risks related to public health crises, such as widespread outbreaks of infectious diseases like the COVID-19 pandemic.

As a global healthcare company, public health crises, such as the widespread outbreaks of infectious diseases like the COVID-19 pandemic, may negatively impact Abbott's operations. Health concerns and significant changes in political or economic conditions caused by such outbreaks can cause significant reductions in demand for certain products, increased difficulty in serving customers, disrupt manufacturing and supply chains, and negatively affect Abbott's operations as well as the operations of its suppliers, distributors and other third-party partners. Furthermore, such widespread outbreaks may impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates.

To date, the COVID-19 pandemic has affected Abbott's diversified health care business in various ways, with some businesses performing at the levels required to successfully meet new demands, other having faced challenges during periods when the number of COVID-19 cases significantly increased, and still others being relatively less impacted by the pandemic.

With regard to COVID-19 diagnostic testing, the FDA issued Emergency Use Authorizations (EUAs) for several COVID-19 related products in 2020 and 2021, including Abbott diagnostic tests. EUAs are authorized for the duration of the COVID-19 public health emergency unless sooner terminated or revoked. Abbott is actively pursuing the FDA's customary regulatory approval process for various COVID-19 diagnostic tests which has uncertainty as discussed in "*Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.*" in "Legal and Regulatory Risks" under "Item 1A. Risk Factors." Further, the demand for COVID-19 tests has been, and Abbott expects it to continue to be, highly volatile, primarily driven by the emergence and severity of new variants, which are unpredictable.

In addition, the COVID-19 pandemic has contributed to global supply chain disruptions, which has adversely impacted the cost and availability of certain raw materials, supplies, and services. While Abbott has taken actions to offset some of these inflationary pressures in its supply chain, Abbott may not be able to completely offset all the increases in its operational costs. Further, Abbott has experienced, and may continue to experience, availability issues with some services and materials used in its products. To date, Abbott has been able to manage these challenges without significant supply disruption or shortage for services, raw materials and supplies, however, no assurance can be given that these efforts will continue to be successful. Significant disruptions or shortages may result in Abbott's inability to meet customer demand for certain of its products.

Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain. A more detailed discussion on the impact of the COVID-19 pandemic on Abbott's business is contained in the "Financial Review" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

In the ordinary course of business, Abbott is the subject of patent litigation, such as competitor claims that an Abbott product infringes their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from competitive products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

Fluctuation in foreign currency exchange rates may adversely affect Abbott's financial statements and its ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2021 made up approximately 61 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review — Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2021 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 11 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2021 made up approximately 61 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

- differing local product preferences and product requirements;
- trade protection measures, including tariffs, import or export licensing requirements, other governmental restrictions, and changes to international trade agreements;

- difficulty in establishing, staffing, and managing operations;

- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including sovereign debt issues;
- restrictions on local currency conversion and/or cash extraction;
- price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;
- inflation, recession, and fluctuations in interest rates;
- diminished protection of intellectual property; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling standards, source and use laws, and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;
- changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;
- changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;
- changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate change, extreme weather and natural disasters; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;
- changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;
- changes in the buying patterns of a major distributor, retailer,wholesaler, or other customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and
- legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other unknown or future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2021, Abbott owned or leased properties totaling approximately 43 million square feet, of which approximately 65% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 90 manufacturing facilities globally. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Medical Devices	27
Diagnostic Products	24
Established Pharmaceutical Products	25
Nutritional Products	14
Worldwide Total	90

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries, including China, Colombia, India, Singapore, Spain, and the United Kingdom.

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, 2022) 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 resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Abbott is a defendant in numerous lawsuits involving certain of its specialty infant formula products administered to preterm infants. The lawsuits allege that preterm infants developed necrotizing enterocolitis as a result of being administered a cow's milk-based preterm infant formula product, which resulted in personal injuries or death. As of January 31, 2022, there were 68 lawsuits pending in federal and state courts in which Abbott is a party. The plaintiffs seek various damages, including punitive damages. In January 2022, the U.S. Judicial Panel on Multidistrict Litigation was asked to consolidate the federal court cases for pretrial purposes. In addition, on December 15, 2021, a purported class of Canadian preterm infants filed suit in British Columbia making similar allegations against Abbott. These plaintiffs seek various damages, including punitive damages. Many of the lawsuits name another infant formula manufacturer as a co-defendant.

In June and July 2021, DexCom, Inc. (DexCom) initiated patent infringement litigation against Abbott over certain of Abbott's continuous glucose monitoring products, including those under the FreeStyle brand, in the U.S. District Court for the Eastern District of Texas and in the Regional Court of Mannheim in Germany. In both jurisdictions, DexCom seeks injunctive relief and monetary damages. In all cases, Abbott asserts that it has a license to each of Dexcom's asserted patents and that the patents are invalid and not infringed. In July 2021, Abbott sued DexCom for patent infringement over certain of DexCom's continuous glucose monitoring products in the U.S. District Court for the District of Delaware, the Regional Courts of Mannheim and Dusseldorf in Germany, and the High Court of Justice in the United Kingdom. Abbott seeks injunctive relief and monetary damages. In December 2021, Abbott filed a breach of contract suit against DexCom in the U.S. District Court for the District of Delaware alleging that DexCom breached the parties' 2014 Settlement and License Agreement by asserting infringement of patents against Abbott that DexCom previously licensed to Abbott.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Executive officers of Abbott are elected annually by the board of directors. Each executive 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 executive officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott.

Abbott's executive officers, their ages as of February 18, 2022, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any executive officers or directors.

Robert B. Ford, 48

2021 to present — Chairman of the Board and Chief Executive Officer, and Director.

2020 to 2021 — President and Chief Executive Officer, and Director.

2018 to 2020 — President and Chief Operating Officer, and Director since 2019.

2015 to 2018 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2008.

Hubert L. Allen, 56

2013 to present — Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer — 2012.

John M. Capek, 60

2015 to present — Executive Vice President, Ventures.

Elected Corporate Officer — 2006.

Lisa D. Earnhardt, 52

2019 to present — Executive Vice President, Medical Devices.

2008 to 2019 — President, CEO, and Director, Intersect ENT (a medical technology company focused on developing treatments for ear, nose and throat conditions).

Elected Corporate Officer — 2019.

Robert E. Funck, Jr., 60

2020 to present — Executive Vice President, Finance and Chief Financial Officer.

2018 to 2020 — Senior Vice President, Finance and Controller.

2013 to 2018 — Vice President, Controller.

Elected Corporate Officer — 2005.

John F. Ginascol, 63

2019 to present — Executive Vice President, Core Diagnostics.

2008 to 2019 — Vice President, Nutrition, Supply Chain.

Elected Corporate Officer — 2008.

Joseph Manning, 53

2021 to present — Executive Vice President, Nutritional Products.

2017 to 2021 — Senior Vice President, International Nutrition.

2015 to 2017 — Vice President, Nutrition, Asia Pacific.

Elected Corporate Officer — 2015.

Mary K. Moreland, 55

2019 to present — Executive Vice President, Human Resources.

2013 to 2019 — Divisional Vice President, Compensation, Benefits and HR M&A.

Elected Corporate Officer — 2019.

Daniel Salvadori, 43

2021 to present — Executive Vice President and Group President, Established Pharmaceuticals and Nutritional Products.

2017 to 2021 — Executive Vice President, Nutritional Products.

2014 to 2017 — Senior Vice President, Established Pharmaceuticals, Latin America.

Elected Corporate Officer — 2014.

Andrea Wainer, 53

2019 to present — Executive Vice President, Rapid and Molecular Diagnostics.

2015 to 2019 — Vice President, Molecular Diagnostics.

Elected Corporate Officer — 2015.

Gregory A. Ahlberg, 55

2020 to present — Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

2017 to 2020 —Vice President, Diagnostics, Commercial Operations, Europe, Middle East and Africa.

2012 to 2017 — Divisional Vice President, USA, Abbott Diagnostics Division.

Elected Corporate Officer — 2017.

Christopher J. Calamari, 51

2021 to present — Senior Vice President, U.S. Nutrition.

2017 to 2021 — Vice President, Pediatric Nutrition.

2014 to 2017 — Divisional Vice President and General Manager, Pediatric Nutrition.

Elected Corporate Officer — 2017.

Michael D. Dale, 62

2019 to present — Senior Vice President, Structural Heart.

2017 to 2019 — Vice President, Structural Heart.

2016 to 2017 — Divisional Vice President and General Manager, Structural Heart.

2014 to 2016 — President and Chief Executive Officer, GI Dynamics, Inc. (a medical device company focused on developing gastrointestinal therapies).

Elected Corporate Officer — 2017.

Sammy Karam, 60

2019 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2019 — Divisional Vice President, Global Marketing Commercial Execution, Established Pharmaceuticals.

Elected Corporate Officer — 2019.

Fernando Mateus, 47

2021 to present — Senior Vice President, International Nutrition.

2018 to 2021 — Divisional Vice President, EURISA, Abbott International Nutrition.

2016 to 2018 — Chief Executive Officer, Exeltis USA, Inc. (a subsidiary of Exeltis, a women's health company focused on respiratory, dermatology, and endocrinology).

Elected Corporate Officer — 2021.

Louis H. Morrone, 45

2021 to present — Senior Vice President, Rapid Diagnostics.

2017 to 2021 — Vice President, Transfusion Medicine.

2015 to 2017 — Divisional Vice President and General Manager, Transfusion Medicine, ADD.

Elected Corporate Officer — 2017.

Michael J. Pederson, 60

2021 to present — Senior Vice President, Electrophysiology

2019 to 2021 — Senior Vice President, Electrophysiology and Heart Failure.

2017 to 2019 — Senior Vice President, Cardiac Arrhythmias and Heart Failure.

2015 to 2017 — Divisional Vice President and General Manager, Abbott Electrophysiology.

Elected Corporate Officer — 2017.

Julie L. Tyler, 52

2021 to present — Senior Vice President, Abbott Vascular.

April 2021 to July 2021 — Divisional Vice President, U.S. Commercial, ADC.

2019 to 2021 — Divisional Vice President, Global Marketing, AVD.

2017 to 2019 — Divisional Vice President, U.S. Sales and Marketing Endovascular, AVD.

Elected Corporate Officer — 2021.

Jared L. Watkin, 54

2015 to present — Senior Vice President, Diabetes Care.

Elected Corporate Officer — 2015.

Alejandro D. Wellisch, 47

2017 to present — Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

Elected Corporate Officer — 2017.

Randel W. Woodgrift, 60

2019 to present — Senior Vice President, CRM.

2017 to 2019 — Vice President, Global Operations, Cardiovascular and Neuromodulation.

2015 to 2017 — Vice President, Operations and R&D, Abbott Vascular.

Elected Corporate Officer — 2015.

Philip P. Boudreau, 49

2020 to present — Vice President, Finance and Controller.

2017 to 2020 — Divisional Vice President, Controller, Medical Devices.

2012 to 2017 — Divisional Vice President, Controller and Commercial Support, Point of Care.

Elected Corporate Officer — 2020.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange under the symbol "ABT." Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

Shareholders

There were 35,926 shareholders of record of Abbott common shares as of December 31, 2021.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity (DCEO) designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. In 2020, the DCEO granted a two year extension for Abbott's HIB designation. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2021.

If you have any questions, please contact your tax advisor.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2021 — October 31, 2021	1,767,000 (1)	$127.811	1,750,000	$1,686,728,997 (2)
November 1, 2021 — November 30, 2021	4,750,000 (1)	$127.486	4,750,000	$1,081,169,672 (2)
December 1, 2021 — December 31, 2021	135 (1)	$141.000	0	$6,081,169,672 (2)
Total	6,517,135 (1)	$127.575	6,500,000	$6,081,169,672 (2)

(1) These shares include the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options – 17,000 in October, 0 in November, and 135 in December.

These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On October 11, 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott common shares, from time to time (the "2019 Plan"). On December 10, 2021, the board of directors authorized the repurchase of up to $5 billion of Abbott common shares, from time to time (the "2021 Plan"). The 2021 Plan is in addition to the unused portion of the 2019 Plan.

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

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and the measurement of net sales and costs is impacted by foreign currency translation. Abbott's primary products are medical devices, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 61 percent of consolidated net sales.

In 2020 and 2021, the coronavirus (COVID-19) pandemic affected Abbott's diversified health care businesses in various ways. As is further described below, some businesses have performed at the levels required to successfully meet new demands, others have faced challenges during periods when the number of COVID-19 cases significantly increased, and still others have been relatively less impacted by the pandemic.

Abbott's Diagnostics segment experienced the most significant change in sales from 2019 to 2021 as a result of the COVID-19 pandemic. In 2020 and 2021, Abbott mobilized its teams across multiple fronts to develop and launch various new diagnostic tests for COVID-19.

In March 2020, Rapid Diagnostics launched a molecular test to detect COVID-19 on its ID NOW® rapid point-of-care platform in the U.S. pursuant to an Emergency Use Authorization (EUA). In August 2020, Abbott launched its BinaxNOW® COVID-19 Ag Card test, a portable, lateral flow rapid test to detect COVID-19 pursuant to an EUA in the U.S. In December 2020, Abbott received an EUA in the U.S. for virtually guided at-home use of its BinaxNOW COVID-19 Ag Card rapid test and launched the product for at-home use. In March 2021, Abbott announced that it had received an EUA in the U.S. for its over-the-counter, non-prescription BinaxNOW COVID-19 Ag Self Test for individuals with or without symptoms. In the first quarter of 2021, Abbott also received EUAs in the U.S. that allow the non-prescription use of the BinaxNOW COVID-19 Ag Card Home Test and the BinaxNOW COVID-19 Ag Card test for professional use for individuals with or without symptoms.

Outside the U.S., in September 2020, Rapid Diagnostics launched its Panbio® rapid antigen test to detect COVID-19 pursuant to a CE Mark. In October 2020, Abbott received approval by the World Health Organization for emergency use listing for the Panbio antigen test. In January 2021, Abbott received CE Mark for two new uses of its Panbio rapid antigen test: asymptomatic testing and self-swabbing under the supervision of a healthcare worker. In June 2021, Abbott announced that it had received CE Mark for its over-the-counter Panbio COVID-19 Antigen Self-Test for individuals with or without symptoms.

In 2020, Molecular Diagnostics developed and launched molecular tests to detect COVID-19 using polymerase chain reaction (PCR) methods on its m2000® RealTi*m*e lab-based platform and its Alinity® m system pursuant to EUAs in the U.S. and CE Marks. Molecular Diagnostics also developed and launched its multiplex molecular test on its Alinity m system to detect COVID-19, influenza A, influenza B, and respiratory syncytial virus (RSV) in one test. This multiplex molecular test was launched pursuant to a CE Mark in December 2020 and an EUA in the U.S. in March 2021.

In 2020 and 2021, Core Laboratory Diagnostics developed and launched various lab-based serology blood tests on its ARCHITECT® i1000SR® and ARCHITECT i2000SR® laboratory instruments and on its Alinity i system for the detection of an antibody to determine if someone was previously infected with the virus. The tests were launched under EUAs in the U.S. and CE Marks.

In 2020 and 2021, Abbott's COVID-19 testing-related sales totaled approximately $3.9 billion and $7.7 billion, respectively, led by sales related to Abbott's BinaxNOW, Panbio and ID NOW rapid testing platforms. 2021 volumes were affected by fluctuations in the number of COVID-19 cases, especially in the U.S., over the course of the year. In the second quarter of 2021, demand for COVID-19 tests decreased from the previous quarter as COVID-19 vaccines were administered, COVID-19 cases and hospitalizations declined, and the U.S. health authority updated its guidance on testing for fully vaccinated individuals. However, in the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased, demand for rapid COVID-19 tests increased significantly.

With respect to other products sold by the Diagnostics segment, demand for routine diagnostic testing generally fluctuated as the number of COVID-19 cases changed in various geographic regions throughout the two-year period. In 2020, in addition to negatively impacting routine core diagnostic testing volumes, the pandemic negatively affected the number of cardiovascular and neuromodulation procedures performed by health care providers globally, thereby reducing the demand for Abbott's

cardiovascular and neuromodulation devices and routine diagnostic tests. The decrease began in February 2020 in China as that country implemented quarantine restrictions and postponed non-emergency health care activities. The negative impact on cardiovascular and neuromodulation procedures and routine diagnostic tests expanded to other countries and geographic regions as COVID-19 spread geographically in the first half of 2020 and health care systems in these countries shifted their focus to fighting COVID-19.

The extent of the impact and the timing of a recovery in the number of procedures and routine testing in a particular country or geographic region depended upon the progression of COVID-19 cases in that country or region as well as the actions taken by the government in that country related to COVID-19. In 2020, the recovery in procedures and routine testing volumes in China began in March 2020. In other parts of the world, such as the U.S. and Europe, volumes improved across Abbott's hospital-based businesses as the second quarter progressed and the improvement continued in the third quarter. However, in the fourth quarter of 2020, the improving trends in the demand for procedures and routine testing flattened or were negatively impacted depending upon the business and the region as many countries, including the U.S., experienced an increase in the number of COVID-19 cases and hospitalizations.

While routine diagnostic testing and cardiovascular and neuromodulation procedure volumes were negatively impacted early in 2021 by elevated COVID-19 case rates, overall volumes improved over the course of the year until the latter part of 2021 when demand softened in several geographies with the emergence of another variant.

While Abbott's branded generic pharmaceuticals business was also negatively affected by the pandemic in 2020 as COVID-19 spread across emerging market countries in the second and third quarters of 2020, volumes recovered and grew in 2021. Abbott's nutritional and diabetes care businesses were the least affected by the pandemic as is further discussed below.

Abbott is continually monitoring the effects of the pandemic on its operations. Throughout the pandemic, Abbott has continued to ensure that its operations throughout the world are aligned with the specific governmental orders and guidelines affecting each location. Abbott has taken aggressive steps to limit exposure to COVID-19 and enhance the safety of facilities for its employees.

The demand for COVID-19 tests has been highly volatile. Abbott expects this volatility to continue as the possible emergence and severity of new variants are unpredictable. Due to the unpredictability of the duration and impact of the COVID-19 pandemic, the extent to which the pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain.

While Abbott's 2021 and 2020 sales were most significantly affected by the COVID-19 pandemic, the increase in total sales over the last three years also reflects the introduction of new products across various businesses as well as higher sales of various existing products. Sales in emerging markets, which represent approximately 35 percent of total company sales, increased 19.6 percent in 2021 and 2.0 percent in 2020, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin as a percentage of sales increased from 14.2 percent in 2019 to 15.5 percent in 2020 and 19.6 percent in 2021. The increase in 2021 from 2020 reflects the impact of sales volume increases for COVID-19 tests in Rapid Diagnostics and growth across virtually all of Abbott's businesses due, in part, to recovery from the COVID-19 pandemic, partially offset by the impact of inflation and supply chain challenges on various manufacturing inputs and transportation costs, an increase in restructuring costs, and the unfavorable effect of foreign exchange. The increase in 2020 reflects the sales volume increases in the rapid and molecular diagnostics businesses, partially offset by lower Medical Devices sales due to the impact of the pandemic and the unfavorable effect of foreign exchange. In addition, a reduction in the costs associated with business acquisitions and restructuring activities drove an improvement in operating margins from 2019 to 2020.

In 2021, Abbott experienced availability issues with some services and materials used in its products. To date, Abbott has been able to manage the various supply chain challenges without significant supply disruption or shortage for services, raw materials and supplies. While Abbott expects inflationary pressures on various raw materials, packaging materials and transportation costs to continue in 2022, the impact of such cost increases is expected to be at least partially mitigated by price increases in certain businesses and the impact of continued gross margin improvement initiatives. To the extent that supply chain challenges in the industries in which Abbott operates normalize over time, this may lessen inflationary pressures.

With respect to the performance of each reportable segment over the last three years, sales in the Medical Devices segment, excluding the impact of foreign exchange, increased 19.4 percent in 2021 and decreased 3.8 percent in 2020. The sales increase in 2021 was driven by double-digit growth across all of Abbott's Medical Devices divisions, led by Diabetes Care, Structural Heart and Electrophysiology. The sales decrease in 2020 was driven by Abbott's cardiovascular and neuromodulation businesses due primarily to reduced procedure volumes as a result of the COVID-19 pandemic. These decreases were partially offset by double-digit growth in Diabetes Care.

In 2021, operating earnings for the Medical Devices segment increased 48.6 percent. The operating margin profile increased from 30.8 percent of sales in 2019 to 31.4 percent in 2021 primarily

due to higher sales volumes in Diabetes Care and Abbott's cardiovascular and neuromodulation businesses. This growth was partially offset by pricing pressures on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

In 2021, key product approvals in the Medical Devices segment included:

- CE Mark in Europe for Navitor™, Abbott's latest-generation transcatheter aortic valve implantation (TAVI) system for patients with severe aortic stenosis who are at high or extreme surgical risk,
- U.S. Food and Drug Administration (FDA) approval of the Amplatzer® Amulet® Left Atrial Appendage Occluder, which offers immediate closure of the left atrial appendage, an area in the heart where blood clots can form,
- FDA approval of the Portico® with FlexNav® TAVI system to treat people with symptomatic, severe aortic stenosis who are at high or extreme risk for open heart surgery, and
- FDA approval of the Amplatzer Talisman™ PFO Occlusion System to treat people with a patent foramen ovale – a small opening between the upper chambers of the heart – who are at risk of recurrent ischemic stroke.

In Abbott's worldwide diagnostics business, sales increased 42.7 percent in 2021 and 40.6 percent in 2020, excluding the impact of foreign exchange. As was discussed above, sales growth in 2021 was driven by demand for Abbott's portfolio of rapid diagnostics tests for COVID-19 and higher routine diagnostics testing in the core laboratory business, partially offset by lower demand for Abbott's laboratory-based tests for COVID-19 in the molecular diagnostics business. Growth in 2020 was driven by demand for Abbott's portfolio of COVID-19 diagnostics tests across its rapid and lab-based platforms, partially offset by lower volumes of routine laboratory testing due to the pandemic.

Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments and has continued to build out its test menu for clinical chemistry and immunoassay diagnostics. Abbott has obtained regulatory approval for the "Alinity h" instrument for hematology in Europe and Japan. Abbott has also obtained regulatory approvals in the U.S., Europe and other markets for the "Alinity s" (blood screening) and "Alinity m" (molecular) instruments and several testing assays.

In 2021, operating earnings for the Diagnostics segment increased 68.0 percent. The operating margin profile increased from 24.8 percent of sales in 2019 to 40.0 percent in 2021 primarily due to higher sales in Rapid Diagnostics in 2020 and 2021 and increased routine diagnostics testing in 2021 in Core Laboratory Diagnostics.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by numerous new product introductions, including the roll-outs of human milk oligosaccharide, or HMO, in infant formula, that leveraged Abbott's strong brands. Sales over the last two years were also positively impacted by consumers' interest in nutrients that help support their immune systems. Excluding the impact of foreign exchange, total adult nutrition sales increased 12.8 percent in 2021 and 10.3 percent in 2020, led by the continued growth of Ensure®, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand, across several countries. Excluding the impact of foreign exchange, total pediatric nutrition sales increased 3.3 percent in 2021 and 0.3 percent in 2020 driven by the Pedialyte®, PediaSure® and Similac® brands in the U.S. as well as infant and toddler product growth across several international markets, partially offset by challenging market dynamics in the infant category in Greater China. Operating margins for the worldwide nutritional products business decreased from 23.0 percent in 2019 to 21.3 percent in 2021. The decrease was driven by higher manufacturing and distribution costs, including commodity prices, partially offset by the impact of gross margin improvement initiatives.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 10.4 percent in 2021 and 1.9 percent in 2020. The sales increases in 2021 and 2020 reflect higher sales in several geographies including India, China, Brazil and Russia. Operating margins decreased from 20.1 percent of sales in 2019 to 18.8 percent in 2021 primarily due to the unfavorable impact of foreign exchange, higher product costs and product mix, partially offset by the impact of gross margin improvement initiatives.

With respect to Abbott's financial position, at December 31, 2021, Abbott's cash and cash equivalents and short-term investments total approximately $10.2 billion compared to $7.1 billion at December 31, 2020. Abbott's long-term debt and short-term borrowings total $18.1 billion and $18.7 billion at December 31, 2021 and 2020, respectively.

Abbott declared dividends of $1.82 per share in 2021 compared to $1.53 per share in 2020, an increase of approximately 19 percent. Dividends paid totaled $3.202 billion in 2021 compared to $2.560 billion in 2020. The year-over-year change in the amount of dividends paid primarily reflects the increase in the dividend rate. In December 2021, Abbott increased the company's quarterly

dividend by 4.4 percent to $0.47 per share from $0.45 per share, effective with the dividend paid in February 2022. In December 2020, Abbott increased the company's quarterly dividend by 25 percent to $0.45 per share from $0.36 per share, effective with the dividend paid in February 2021.

In 2022, Abbott will focus on continuing to meet the demand for COVID-19 tests and will continue to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the Medical Devices segment, Abbott will focus on expanding its market position across the various businesses. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of line extensions of its science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth of its portfolio in emerging markets.

Critical Accounting Policies

Sales Rebates — In 2021, approximately 45 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2021 are in the Nutritional Products and Diabetes Care businesses. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2021, 2020 and 2019 amounted to approximately $3.9 billion, $3.3 billion and $3.1 billion, respectively, or 17.5 percent, 20.1 percent and 19.1 percent of gross sales, respectively, based on gross sales of approximately $22.3 billion, $16.6 billion and $16.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $223 million in 2021. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $268 million, $207 million and $169 million for cash discounts in 2021, 2020 and 2019, respectively, and $211 million, $232 million and $192 million for returns in 2021, 2020 and 2019, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2021, Abbott had WIC business in 36 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. The impact of higher interest rates and improved asset returns during 2021 significantly decreased the net actuarial losses for these plans. At December 31, 2021, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) were net losses of $3.1 billion for Abbott's defined benefit plans and net losses of $373 million for Abbott's medical and dental plans. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2021, goodwill amounted to $23.2 billion and net intangibles amounted to $12.7 billion. Amortization expense in continuing operations for intangible assets amounted to $2.0 billion in 2021, $2.1 billion in 2020 and $1.9 billion in 2019. There was no reduction of goodwill relating to impairments in 2021, 2020 and 2019.

Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $30 million to $45 million for its legal proceedings and environmental exposures. Accruals of approximately $40 million have been recorded at December 31, 2021 for these proceedings and exposures. These accruals

represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

		Components of % Change		
	Total % Change	Price	Volume	Exchange
Total Net Sales				
2021 vs. 2020	24.5	(1.5)	24.4	1.6
2020 vs. 2019	8.5	(0.4)	10.2	(1.3)
Total U.S.				
2021 vs. 2020	27.8	(1.9)	29.7	—
2020 vs. 2019	14.2	(1.1)	15.3	—
Total International				
2021 vs. 2020	22.5	(1.3)	21.2	2.6
2020 vs. 2019	5.3	0.1	7.2	(2.0)
Established Pharmaceutical Products Segment				
2021 vs. 2020	9.6	4.2	6.2	(0.8)
2020 vs. 2019	(4.1)	2.7	(0.8)	(6.0)
Nutritional Products Segment				
2021 vs. 2020	8.5	1.0	6.7	0.8
2020 vs. 2019	3.2	0.8	3.9	(1.5)
Diagnostic Products Segment				
2021 vs. 2020	44.8	(6.2)	48.9	2.1
2020 vs. 2019	40.1	(0.8)	41.4	(0.5)
Medical Devices Segment				
2021 vs. 2020	21.9	(0.9)	20.3	2.5
2020 vs. 2019	(3.7)	(1.9)	(1.9)	0.1

The increase in Total Net Sales in 2021 reflects volume growth across all of Abbott's segments. In 2021, Abbott's COVID-19 testing-related sales totaled approximately $7.7 billion led by combined sales of approximately $6.6 billion related to Abbott's BinaxNOW, Panbio, and ID NOW rapid testing platforms. In 2021, excluding the impact of COVID-19 testing-related sales, Abbott's total net sales increased 15.2 percent. Excluding the impacts of COVID-19 testing-related sales and foreign exchange, Abbott's total net sales in 2021 increased 13.7 percent. The price decline related to the Diagnostic Products segment in 2021 primarily reflects lower pricing for COVID-19 tests. The increase in Total Net Sales in 2020 reflects volume growth in the Diagnostics and Nutritional Products segments. In 2020, COVID-19 testing-related sales totaled approximately $3.9 billion. In Medical Devices, the 2020 impact of COVID-19 on Abbott's cardiovascular and neuromodulation businesses was partially offset by double-digit volume growth in Diabetes Care. The price declines related to the Medical Devices segment in 2021 and 2020 primarily reflect DES pricing pressures as a result of market competition in the U.S. and other major markets.

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2021	2020	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$ 3,539	$ 3,209	10 %	(2)%	12 %
Other	1,179	1,094	8	2	6
Nutritionals —					
International Pediatric Nutritionals	2,106	2,140	(2)	1	(3)
U.S. Pediatric Nutritionals	2,192	1,987	10	—	10
International Adult Nutritionals	2,632	2,228	18	1	17
U.S. Adult Nutritionals	1,364	1,292	6	—	6
Diagnostics —					
Core Laboratory	5,128	4,475	15	3	12
Molecular	1,427	1,438	(1)	2	(3)
Point of Care	536	516	4	1	3
Rapid Diagnostics	8,553	4,376	95	2	93
Medical Devices —					
Rhythm Management	2,198	1,914	15	2	13
Electrophysiology	1,907	1,578	21	2	19
Heart Failure	889	740	20	1	19
Vascular	2,654	2,339	14	3	11
Structural Heart	1,610	1,247	29	2	27
Neuromodulation	781	702	11	1	10
Diabetes Care	4,328	3,267	33	4	29

(dollars in millions)	2020	2019	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$ 3,209	$ 3,392	(5)%	(8)%	3 %
Other	1,094	1,094	—	1	(1)
Nutritionals —					
International Pediatric Nutritionals	2,140	2,282	(6)	(2)	(4)
U.S. Pediatric Nutritionals	1,987	1,879	6	—	6
International Adult Nutritionals	2,228	2,017	11	(3)	14
U.S. Adult Nutritionals	1,292	1,231	5	—	5
Diagnostics —					
Core Laboratory	4,475	4,656	(4)	(1)	(3)
Molecular	1,438	442	225	(1)	226
Point of Care	516	561	(8)	—	(8)
Rapid Diagnostics	4,376	2,054	113	1	112
Medical Devices —					
Rhythm Management	1,914	2,144	(11)	—	(11)
Electrophysiology	1,578	1,721	(8)	1	(9)
Heart Failure	740	769	(4)	—	(4)
Vascular	2,339	2,850	(18)	—	(18)
Structural Heart	1,247	1,400	(11)	—	(11)
Neuromodulation	702	831	(16)	—	(16)
Diabetes Care	3,267	2,524	29	—	29

In order to compute results excluding the impact of exchange rates, current year U.S. dollar sales are multiplied or divided, as appropriate, by the current year average foreign exchange rates and then those amounts are multiplied or divided, as appropriate, by the prior year average foreign exchange rates.

Total Established Pharmaceutical Products sales increased 10.4 percent in 2021 and 1.9 percent in 2020, excluding the impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 11.9 percent in 2021 and 2.6 percent in 2020 due to higher sales in several geographies including India, China, Russia and Brazil. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 6.0 percent in 2021 and decreased 0.5 percent in 2020.

Total Nutritional Products sales increased 7.7 percent in 2021 and 4.7 percent in 2020, excluding the impact of foreign exchange. In 2021, International Pediatric Nutritional sales, excluding the effect of foreign exchange, decreased 3.2 percent as lower sales in China, the Middle East and various countries in Southeast Asia were partially offset by higher volumes sold in various countries in Latin America and Europe. The 4.1 percent decrease in 2020 International Pediatric Nutritional sales, excluding the effect of foreign exchange, was due to challenging market dynamics in the infant category in Greater China that more than offset growth across Abbott's pediatric products in various countries in Southeast Asia. In the U.S. Pediatric Nutritional business, sales increased 10.3 percent in 2021 and 5.8 percent in 2020, reflecting growth in Pedialyte, Similac and PediaSure.

In International Adult Nutritionals, sales increased 17.0 percent and 13.6 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange, due to continued growth of Ensure and Glucerna in several countries. U.S. Adult Nutritional sales increased 5.6 percent in 2021, primarily due to growth of Ensure and Glucerna. In 2020, U.S. Adult Nutritional sales increased 4.9 percent, primarily due to growth of Ensure.

In the Diagnostics segment, Core Laboratory Diagnostics sales increased 12.4 percent in 2021 and decreased 2.8 percent in 2020, excluding the effect of foreign exchange. In 2021, growth was driven by increased volume of routine diagnostic testing performed in hospitals and other laboratories, partially offset by lower sales of Abbott's laboratory-based tests for the detection of the IgG and IgM antibodies, which determine if someone was previously infected with the COVID-19 virus. In 2020, the decrease was due to the lower volume of routine testing performed in hospital and other laboratories due to COVID-19, partially offset by sales of Abbott's COVID-19 laboratory-based tests for the detection of the IgG and IgM antibodies. Core Laboratory Diagnostics COVID-19 testing-related sales on Abbott's ARCHITECT and Alinity i platforms were $204 million and $262 million in 2021 and 2020, respectively. In 2021, Core Laboratory Diagnostics sales increased 16.9 percent, excluding COVID-19 testing-related sales, and increased 14.4 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Molecular Diagnostics, sales decreased 2.9 percent and increased 225.7 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange. In 2021, the decrease was due to lower demand for Abbott's laboratory-based molecular tests for COVID-19 on its m2000 platform, partially offset by growth in the base business from the continued roll-out of the Alinity m platform. In 2020, the increase reflects higher volumes due to demand for Abbott's laboratory-based molecular tests for COVID-19. Abbott received U.S. FDA approval in March 2020 for its Alinity m molecular diagnostics system. Molecular Diagnostics COVID-19 testing-related sales were $891 million and $1.0 billion in 2021 and 2020, respectively. In 2021, Molecular Diagnostics sales increased 29.2 percent, excluding COVID-19 testing-related sales, and increased 27.0 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Rapid Diagnostics, sales increased 93.3 percent and 112.3 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange, due to strong demand for Abbott's point-of-care COVID-19 molecular test on its ID NOW platform and its BinaxNOW COVID-19 Ag Card test in the U.S. as well as international demand for COVID-19 rapid tests on its Panbio platform. The sales increase for 2021 also included the recovery of routine diagnostic testing. The sales increase for 2020 also included increased testing in the first quarter for the flu in the U.S., partially offset by the unfavorable impact of COVID-19 on routine diagnostic testing in 2020. Rapid Diagnostics COVID-19 testing-related sales were $6.6 billion and $2.6 billion in 2021 and 2020, respectively. In 2021, Rapid Diagnostics sales increased 10.4 percent, excluding COVID-19 testing-related sales, and increased 9.2 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Medical Devices, sales increased 19.4 percent and decreased 3.8 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange. In 2021, the increase was driven by double-digit growth across all divisions, led by Diabetes Care, Structural Heart and Electrophysiology. In 2020, double-digit growth in Diabetes Care was more than offset by decreases in Abbott's cardiovascular and neuromodulation businesses due to the impact of COVID-19 and lower vascular sales in China in the fourth quarter of 2020 as a result of a new national tender program.

The 2021 and 2020 growth in Diabetes Care revenue was driven by continued growth of FreeStyle Libre, Abbott's continuous glucose monitoring system, internationally and in the U.S. In 2021, FreeStyle Libre sales totaled $3.7 billion, which reflected a 36.8 percent increase over 2020, excluding the effect of foreign exchange. FreeStyle Libre sales in 2020 were $2.6 billion, which reflected a 42.6 percent increase, excluding the effect of foreign exchange, over 2019 when sales totaled $1.8 billion.

While procedure volumes across Abbott's cardiovascular and neuromodulation businesses were negatively impacted early in 2021 by elevated COVID-19 case rates in certain countries, including the U.S., overall volumes improved over the course of 2021 across various businesses. The year-over-year increases in the various businesses reflect a recovery from the 2020 levels when the pandemic reduced procedure volumes as well as sales growth from pre-pandemic levels in Structural Heart, Electrophysiology, and Heart Failure, excluding the effect of foreign exchange. In January 2021, the U.S. Centers for Medicare & Medicaid Services expanded reimbursement coverage eligibility for MitraClip®, Abbott's market-leading device for the minimally invasive treatment of mitral regurgitation (MR), a leaky heart valve. The growth in Structural Heart during 2021 was broad-based across several areas of the business, including MitraClip and TriClip®, the world's first minimally invasive, clip-based device for repair of a leaky tricuspid heart valve which was launched in Europe in May 2020.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2021, 2020 and 2019.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to materially affect Abbott.

Operating Earnings

Gross profit margins were 52.2 percent of net sales in 2021, 50.5 percent in 2020 and 52.5 percent in 2019. In 2021, the increase primarily reflects the effects of higher sales volume, higher manufacturing utilization, and the nonrecurrence of the 2020 impairment of intangible assets, partially offset by increases in various manufacturing costs and the impact of higher restructuring charges. In 2020, the decrease primarily reflects the mix of sales across Abbott's various businesses and operational inefficiencies due to the impact of COVID-19, as well as the increase in intangible asset amortization, the impairment of intangible assets and the unfavorable effect of foreign exchange on gross margin.

Research and development (R&D) expenses were $2.7 billion in 2021, and $2.4 billion in both 2020 and 2019. The increase in 2021 R&D spending was primarily driven by higher spending on various projects to advance products in development. R&D spending in 2020 was relatively flat compared to 2019 as the impact of the immediate expensing in 2019 of an R&D asset valued at $102 million that was acquired in conjunction with the acquisition of Cephea Valve Technologies, Inc. was partially offset by the $55 million impairment of an in-process R&D intangible asset in 2020. R&D expense in 2020 also reflects lower integration and restructuring costs in 2020 related to R&D, partially offset by higher spending on various projects.

Selling, general and administrative (SG&A) expenses increased 16.8 percent in 2021 due primarily to higher selling and marketing spending to drive growth across various businesses and the nonrecurrence of $100 million of income in 2020 from a litigation settlement. The increase in 2021 also includes charges related to certain litigation. SG&A expenses were basically flat in 2020 compared to 2019. In 2020, the favorable effect of foreign exchange, income of approximately $100 million from a litigation settlement in 2020, lower spending due to COVID-19 travel restrictions, and the impact of various cost saving initiatives were offset by higher spending to drive growth in various businesses.

Restructurings

On May 27, 2021, Abbott management approved a restructuring plan related to its Diagnostic Products segment to align its manufacturing network for COVID-19 diagnostic tests with changes in the second quarter in projected testing demand driven by several factors, including significant reductions in cases in the U.S. and other major developed countries, the accelerated rollout of COVID-19 vaccines globally and the U.S. health authority's updated guidance on testing for fully vaccinated individuals. In the second quarter of 2021, Abbott recorded charges of $499 million under this plan in Cost of products sold. The charge recognized in the second quarter included fixed asset write-downs of $80 million, inventory-related charges of $248 million, and other exit costs, which included contract cancellations and employee-related costs of $171 million.

In the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased significantly, particularly in the U.S., demand for rapid COVID-19 tests increased significantly. As a result, in the second half of 2021, Abbott sold approximately $181 million of inventory that was previously estimated to have no net realizable value under the second quarter restructuring action. In addition, the estimate of other exit costs was reduced by a net $58 million as Abbott fulfilled its purchase obligations under certain contracts for which a liability was recorded in the second quarter or Abbott settled with the counterparty in the second half of 2021. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $23 million and primarily represent severance obligations.

From 2017 to 2021, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical, Inc. (St. Jude Medical) into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2018, the accrued balance associated with these actions was $41 million. From 2019 to 2021, Abbott recorded employee-related severance and other charges totaling approximately $95 million, comprised of $10 million in 2021, $13 million in 2020, and $72 million in 2019. Approximately $31 million was recorded in Cost of products sold, approximately $5 million was recorded in Research and development, and approximately $59 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $9 million.

From 2017 to 2020, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. As of December 31, 2018, the accrued balance associated with these actions was $70 million. From 2019 to 2020, Abbott recorded employee-related severance and other charges totaling approximately $102 million, comprised of $36 million in 2020 and $66 million in 2019. Approximately $22 million was recorded in Cost of products sold, approximately $30 million was recorded in Research and development, and approximately $50 million

was recorded in Selling, general and administrative expense over the two years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $24 million.

In 2021, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the diagnostics, established pharmaceuticals and nutritional businesses. Abbott recorded employee-related severance and other charges of approximately $68 million. Approximately $16 million was recorded in Cost of products sold, approximately $4 million was recorded in Research and development, and approximately $48 million was recorded in Selling, general and administrative expense. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $61 million and primarily represent severance obligations.

Interest Expense and Interest (Income)

Interest expense, net decreased $10 million in 2021 due to the reduction of interest expense driven by lower interest rates in 2021. The effects of higher cash and short-term investment balances were more than offset by the impact of lower interest rates on interest income in 2021. In 2020, interest expense, net decreased $76 million due to a reduction in interest expense resulting from the favorable impact of the euro debt financing in November 2019, the repayment of debt in December 2019 and a lower interest rate environment in 2020.

Debt Extinguishment Costs

On December 19, 2019, Abbott redeemed the $2.850 billion principal amount of its 2.9% Notes due 2021. Abbott incurred a charge of $63 million related to the early repayment of this debt.

Other (Income) Expense, net

Other (income) expense, net includes income of approximately $270 million, $205 million and $225 million in 2021, 2020 and 2019, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. Other (income) expense, net also includes a gain on the sale of an equity method investment in 2021 and equity investment impairments that totaled approximately $115 million in 2020.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 13.9 percent in 2021, 10.0 percent in 2020, and 9.6 percent in 2019.

In 2021, taxes on earnings from continuing operations include approximately $145 million in excess tax benefits associated with share-based compensation and approximately $55 million of net tax benefits as a result of the resolution of various tax positions related to prior years.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax liability associated with the 2017 Tax Cuts and Jobs Act (TCJA). The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion. As of December 31, 2021, the remaining balance of Abbott's transition tax obligation is approximately $794 million, which will be paid over the next five years as allowed by the TCJA. Earnings from discontinued operations, net of tax, in 2020 reflect the recognition of $24 million of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. In 2019, taxes on earnings from continuing operations included approximately $100 million in excess tax benefits associated with share-based compensation, an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 14 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

Research and Development Process

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

- Drug product development.
- Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).
- Phase II studies to test the efficacy of benefits in a small group of patients.
- Phase III studies to broaden the testing to a wider population that reflects the actual medical use.
- Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to six or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

- Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.
- Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.
- Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Premarket Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which has been governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category, with certain product categories requiring review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to declare conformity to the Directive. Other products only require a self-certification process. In 2017, the EU adopted the new In Vitro Diagnostic Regulation (IVDR) which replaces the existing directive in the EU for in vitro diagnostic products and imposes additional premarket and post-market regulatory requirements on manufacturers of such products. In December 2021, the IVDR was amended to extend the regulation's previous two-year transition period by one to three years, with the transition period extending to May 2027 for certain devices. However, the amendment does not delay the date of application of the IVDR itself which will take effect on May 26, 2022.

In the Medical Devices segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation, selection and qualification of a product design, completion of applicable clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., medical devices are classified as Class I, II, or III. Most of Abbott's medical device products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, medical devices are also categorized into different classes and the regulatory process, which had been governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) which replaced the existing directives in the EU for medical devices and imposes additional premarket and post-market regulatory requirements on manufacturers of such products. The MDR applies to manufacturers as of May 26, 2021 after a four-year transition period. Each product must bear a CE mark to show compliance with the MDR.

Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some medical devices, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

Areas of Focus

In 2022 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon™, Duphaston™, Duphalac™ and Influvac™. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Medical Devices — Abbott's research and development programs focus on:

- Cardiac Rhythm Management – Development of next-generation rhythm management technologies, including advanced communication capabilities and leadless pacing therapies.
- Heart Failure – Continued enhancements to Abbott's mechanical circulatory support and pulmonary artery pressure systems, including enhanced clinical performance and usability.
- Electrophysiology – Development of next-generation technologies in the areas of ablation, diagnostic, mapping, and visualization and recording.
- Vascular – Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- Structural Heart – Development of transcatheter and surgical devices for the repair and replacement of heart valves, and occlusion therapies for congenital heart defects and stroke-risk reduction.
- Neuromodulation – Development of additional clinical evidence and next-generation technologies leveraging digital health to improve patient and physician engagement to treat chronic pain, movement disorders and other indications.
- Diabetes Care – Develop enhancements and additional indications for the FreeStyle Libre platform of continuous glucose monitoring products to help patients improve their ability to manage diabetes and for use beyond diabetes.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood and plasma screening, immunoassay, clinical chemistry and hematology systems, along with assays, including a focus on unmet medical need, in various areas including infectious disease, cardiac care, metabolics, and oncology, as well as informatics solutions to help optimize diagnostics laboratory performance and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for infectious disease, cardiometabolic disease and toxicology.

In addition, the Diagnostics segment is pursuing the FDA's customary regulatory process for various COVID-19 tests for which EUAs were obtained.

Given the diversity of Abbott's business, its intention to remain a broad-based health care company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2021 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is targeted at approximately 7 percent of total Abbott sales in 2022. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

At December 31, 2021, goodwill recorded as a result of business combinations totaled $23.2 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $10.5 billion, $7.9 billion and $6.1 billion in 2021, 2020 and 2019, respectively. The increase in Net cash from operating activities in 2021 was primarily due to the favorable cash flow impact of higher segment operating earnings and improved working capital management partially offset by higher cash taxes paid and the net impact of litigation settlements. The increase in Net cash from operating activities in 2020 was primarily due to the favorable cash flow impact of higher segment operating earnings, lower payments related to interest, integration expenses, and restructuring actions, and the proceeds from a litigation settlement partially offset by an increased investment in working capital and higher income tax payments.

A substantial portion of Abbott's cash and cash equivalents at December 31, 2021, is held by Abbott affiliates outside of the U.S. If these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $418 million in 2021, $400 million in 2020 and $382 million in 2019 to defined benefit pension plans. Abbott expects pension funding of approximately $415 million in 2022 for its

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

Debt and Capital

At December 31, 2021, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In 2021, Abbott repaid approximately $195 million on a short-term facility upon maturity. After the repayment, Abbott has no short-term debt, and as of December 31, 2021, Abbott's total debt is $18.1 billion.

In 2020, financing activities related to the issuance and repayment of long-term debt included the following:

- On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.
- On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

In 2019, Abbott committed to reducing its debt levels which had increased as part of the acquisitions of St. Jude Medical and Alere in 2017. On February 24, 2019, Abbott redeemed the $500 million outstanding principal amount of its 2.80% Notes due 2020.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization superseded the board's previous authorization under which $700 million had not yet been redeemed. On December 19, 2019, Abbott redeemed the $2.850 billion outstanding principal amount of its 2.90% Notes due 2021. Of the $5 billion authorization, $2.15 billion remains available as of December 31, 2021.

On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €1.180 billion of long-term debt. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott. On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

In total, these 2019 transactions resulted in the repayment of approximately of $1.6 billion of debt, net of borrowings.

In September 2014, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 48.5 million shares at a cost of $2.205 billion from 2015 through 2018, 6.3 million shares at a cost of $525 million in 2019 and 1.6 million shares at a cost of $173 million in 2020 for a total of approximately $2.9 billion. In October 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. In 2021, Abbott repurchased 16.6 million of its common shares for $2.016 billion which fully utilized the authorization remaining under the 2014 share repurchase program and a portion of the 2019 authorization. In December 2021, the board of directors authorized the repurchase of up to $5 billion of Abbott's common shares from time to time. The new authorization is in addition to the $1.081 billion unused portion of the share repurchase program authorized in 2019.

Abbott declared dividends of $1.82 per share in 2021 compared to $1.53 per share in 2020, an increase of approximately 19 percent. Dividends paid were $3.202 billion in 2021 compared to $2.560 billion in 2020. The year-over-year change in dividends paid primarily reflects the impact of the increase in the dividend rate.

Working Capital

Working capital was $11.1 billion at December 31, 2021 and $8.5 billion at December 31, 2020. The increase was due in large part to the higher level of cash and cash equivalents, which was due primarily to the increase in cash generated from operating activities, partially offset by the classification of $750 million of Senior Notes due 2022 as current liabilities at December 31, 2021 and an increase in accounts payable associated with the growth of the business.

Abbott monitors the credit worthiness of customers and establishes an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

Capital Expenditures

Capital expenditures of $1.9 billion in 2021, $2.2 billion in 2020 and $1.6 billion in 2019 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers. The 2020 increase in capital expenditures primarily reflects the building of capacity for the manufacture of COVID-19 diagnostics tests.

Contractual Obligations

Abbott believes that its available cash and cash equivalents along with its ability to generate operating cash flow and continued access to debt markets are sufficient to fund existing and planned cash requirements. Abbott's material cash requirements include the following contractual obligations:

Debt — Principal payments required on long-term debt outstanding at December 31, 2021 are $754 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024, $1.5 billion in 2025, $3.0 billion in 2026 and $9.3 billion in 2027 and thereafter. Interest payments required on long-term debt outstanding at December 31, 2021 are $579 million in 2022, $569 million in 2023, $526 million in 2024, $494 million in 2025, $463 million in 2026 and $5.8 billion in 2027 and thereafter.

Operating leases — As of December 31, 2021, estimated contractual obligations for operating lease payments were $1.351 billion, with $272 million due within 12 months.

In addition, Abbott enters into purchase commitments in the normal course of business to meet operational and capital expenditure requirements. The majority of outstanding purchase commitments generally do not extend past one year.

Contingent Obligations

Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Legislative Issues

Abbott’s primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors.

Recently Issued Accounting Standards

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Abbott adopted the standard on January 1, 2021. The new standard did not have an impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

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 Item 1A, Risk Factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $11 million and $20 million as of December 31, 2021 and 2020, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2021 by approximately $2 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $391 million and $366 million as of December 31, 2021 and 2020, respectively. Changes in the fair value of these investments, as well as an offsetting change in the benefit obligation, are recorded in earnings.

Non-Publicly Traded Equity Securities

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $90 million and $113 million as of December 31, 2021 and 2020, respectively. No individual investment is recorded at a value in excess of $15 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Interest Rate Sensitive Financial Instruments

At December 31, 2021 and 2020, Abbott had interest rate hedge contracts totaling $2.9 billion to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. 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. The fair value of long-term debt at December 31, 2021 and 2020 amounted to $21.2 billion and $22.8 billion, respectively (average interest rates of 3.4% and 3.3% as of December 31, 2021 and 2020, respectively) with maturities through 2046. At December 31, 2021 and 2020, the fair value of current and long-term investment securities amounted to approximately $1.3 billion and $1.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values.

Foreign Currency Sensitive Financial Instruments

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 foreign currency 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 products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2021 and 2020, Abbott held $8.6 billion and $8.1 billion, respectively, of such contracts. Contracts held at December 31, 2021 will mature in 2022 or 2023 depending upon the contract. Contracts held at December 31, 2020 matured in 2021 or will mature in 2022 depending upon the contract.

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, 2021 and 2020, Abbott held $12.2 billion and $11.0 billion, respectively, of such contracts, which mature in the next 13 months.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $521 million and $577 million as of December 31, 2021 and December 31, 2020, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2021 and 2020:

	2021			2020		
(dollars in millions)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Primarily U.S. dollars to be exchanged for the following currencies:						
Euro	$ 8,698	1.1360	$ 90	$ 7,781	1.1821	$ (91)
Chinese Yuan	2,148	6.5744	(35)	2,401	6.4900	(99)
Japanese Yen	1,497	111.7260	31	1,589	105.3861	(20)
All other currencies	8,426	n/a	109	7,369	n/a	(198)
Total	$20,769		$ 195	$19,140		$ (408)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2021	2020	2019
Net Sales	$ 43,075	$ 34,608	$ 31,904
Cost of products sold, excluding amortization of intangible assets	18,537	15,003	13,231
Amortization of intangible assets	2,047	2,132	1,936
Research and development	2,742	2,420	2,440
Selling, general and administrative	11,324	9,696	9,765
Total Operating Cost and Expenses	34,650	29,251	27,372
Operating Earnings	8,425	5,357	4,532
Interest expense	533	546	670
Interest income	(43)	(46)	(94)
Net foreign exchange (gain) loss	1	(8)	7
Debt extinguishment costs	—	—	63
Other (income) expense, net	(277)	(103)	(191)
Earnings from Continuing Operations Before Taxes	8,211	4,968	4,077
Taxes on Earnings from Continuing Operations	1,140	497	390
Earnings from Continuing Operations	7,071	4,471	3,687
Net Earnings from Discontinued Operations, net of taxes		24	—
	$ 7,071	$ 4,495	$ 3,687

Net Earnings			
Basic Earnings Per Common Share --			
Continuing Operations	$ 3.97	$ 2.51	$ 2.07
Discontinued Operations	—	0.01	—
Net Earnings	$ 3.97	$ 2.52	$ 2.07
Diluted Earnings Per Common Share --			
Continuing Operations	$ 3.94	$ 2.49	$ 2.06
Discontinued Operations	—	0.01	—
Net Earnings	$ 3.94	$ 2.50	$ 2.06
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,775	1,773	1,768
Dilutive Common Stock Options	14	13	13
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,789	1,786	1,781
Outstanding Common Stock Options Having No Dilutive Effect	—	9	61

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2021	2020	2019
Net Earnings	$ 7,071	$ 4,495	$ 3,687
Foreign currency translation gain (loss) adjustments	(980)	65	(12)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $340 in 2021, $ (79) in 2020 and $(238) in 2019	1,201	(331)	(814)
Net gains (losses) on derivative instruments designated as cash flow hedges, net of taxes of $63 in 2021, $ (87) in 2020 and $(17) in 2019	351	(215)	(53)
Other Comprehensive Income (Loss)	572	(481)	(879)
Comprehensive Income	$ 7,643	$ 4,014	$ 2,808
Supplemental Accumulated			

Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$ (5,839)	$ (4,859)	$ (4,924)
Net actuarial (losses) and prior service (cost) and credits	(2,670)	(3,871)	(3,540)
Cumulative gains (losses) on derivative instruments designated as cash flow hedges	135	(216)	(1)
Accumulated other comprehensive income (loss)	$ (8,374)	$ (8,946)	$ (8,465)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

	Year Ended December 31		
	2021	**2020**	**2019**
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 7,071	$ 4,495	$ 3,687
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,491	1,195	1,078
Amortization of intangible assets	2,047	2,132	1,936
Share-based compensation	640	546	519
Investing and financing losses, net	55	425	184
Loss on extinguishment of debt	—	—	63
Trade receivables	(383)	(924)	(275)
Inventories	(456)	(493)	(593)
Prepaid expenses and other assets	(312)	(627)	(138)
Trade accounts payable and other liabilities	1,288	1,766	220
Income taxes	(908)	(614)	(545)
Net Cash From Operating Activities	10,533	7,901	6,136
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,885)	(2,177)	(1,638)
Acquisitions of businesses and technologies, net of cash acquired	(187)	(42)	(170)
Proceeds from	134	58	48

business dispositions			
Purchases of investment securities	(173)	(83)	(103)
Proceeds from sales of investment securities	77	10	21
Other	26	19	27
Net Cash From (Used in) Investing Activities	(2,008)	(2,215)	(1,815)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt, net and other	(204)	2	—
Proceeds from issuance of long-term debt and debt with maturities over 3 months	4	1,281	1,842
Repayments of long-term debt and debt with maturities over 3 months	(48)	(1,333)	(3,441)
Purchases of common shares	(2,299)	(403)	(718)
Proceeds from stock options exercised	255	245	298
Dividends paid	(3,202)	(2,560)	(2,270)
Other	—	(11)	—
Net Cash From (Used in) Financing Activities	(5,494)	(2,779)	(4,289)
	(70)	71	(16)

Effect of exchange rate changes on cash and cash equivalents	296	2,978	16
Net Increase (Decrease) in Cash and Cash Equivalents	2,961		
Cash and Cash Equivalents, Beginning of Year	6,838	3,860	3,844
Cash and Cash Equivalents, End of Year	$ 9,799	$ 6,838	$ 3,860
Supplemental Cash Flow Information:			
Income taxes paid	$ 1,941	$ 970	$ 930
Interest paid	544	549	677

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2021	**2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 9,799	$ 6,838
Investments, primarily bank time deposits and U.S. treasury bills	450	310
Trade receivables, less allowances of - 2021: $519; 2020: $460	6,487	6,414
Inventories:		
Finished products	3,081	3,030
Work in process	694	712
Materials	1,382	1,270
Total inventories	5,157	5,012
Other prepaid expenses and receivables	2,346	1,867
Total current assets	24,239	20,441
Investments	816	821
Property and equipment, at cost:		
Land	525	538
Buildings	4,007	4,014
Equipment	13,528	12,884
Construction in progress	1,304	1,357
	19,364	18,793
Less: accumulated depreciation and amortization	10,405	9,764
Net property and equipment	8,959	9,029
Intangible assets, net of amortization	12,739	14,784
Goodwill	23,231	23,744
Deferred income taxes and other assets	5,212	3,729
	$ 75,196	$ 72,548

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2021	**2020**
Liabilities and Shareholders' Investment		
Current liabilities:		
Short-term borrowings	$ —	$ 213
Trade accounts payable	4,408	3,946
Salaries, wages and commissions	1,625	1,416
Other accrued liabilities	5,181	5,165
Dividends payable	831	798
Income taxes payable	306	362
Current portion of long-term debt	754	7
Total current liabilities	13,105	11,907
Long-term debt	17,296	18,527
Post-employment obligations and other long-term liabilities	8,771	9,111
Commitments and contingencies		
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: 2021: 1,985,273,421; 2020: 1,981,156,896	24,470	24,145
Common shares held in treasury, at cost — Shares: 2021: 221,191,228; 2020: 209,926,622	(11,822)	(10,042)
Earnings employed in the business	31,528	27,627
Accumulated other comprehensive income (loss)	(8,374)	(8,946)
Total Abbott Shareholders' Investment	35,802	32,784
Noncontrolling interests in subsidiaries	222	219
	36,024	33,003

Total Shareholders' Investment	$ 75,196	$ 72,548

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

	Year Ended December 31		
	2021	2020	2019
Common Shares:			
Beginning of Year			
Shares: 2021: 1,981,156,896; 2020: 1,976,855,085; 2019: 1,971,189,465	$ 24,145	$ 23,853	$ 23,512
Issued under incentive stock programs			
Shares: 2021: 4,116,525; 2020: 4,301,811; 2019: 5,665,620	173	181	209
Share-based compensation	642	548	521
Issuance of restricted stock awards	(490)	(437)	(389)
End of Year			
Shares: 2021: 1,985,273,421; 2020: 1,981,156,896; 2019: 1,976,855,085	$ 24,470	$ 24,145	$ 23,853
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2021: 209,926,622; 2020: 214,351,838; 2019: 215,570,043	$(10,042)	$(10,147)	$ (9,962)
Issued under incentive stock programs			
Shares: 2021: 5,650,168; 2020: 6,290,757; 2019: 7,796,030	271	298	361
Purchased			
Shares: 2021: 16,914,774; 2020: 1,865,541; 2019: 6,577,825	(2,051)	(193)	(546)
End of Year			
Shares: 2021: 221,191,228; 2020: 209,926,622; 2019: 214,351,838	$(11,822)	$(10,042)	$(10,147)
Earnings Employed in the Business:			
Beginning of Year	$ 27,627	$ 25,847	$ 24,560
Impact of adoption of new accounting standards	—	(5)	—
Net earnings	7,071	4,495	3,687
Cash dividends declared on common shares (per share — 2021: $1.82; 2020: $1.53; 2019: $1.32)	(3,235)	(2,722)	(2,343)
Effect of common and treasury share transactions	65	12	(57)
End of Year	$ 31,528	$ 27,627	$ 25,847
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (8,946)	$ (8,465)	$ (7,586)
Other comprehensive income (loss)	572	(481)	(879)
End of Year	$ (8,374)	$ (8,946)	$ (8,465)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 219	$ 213	$ 198
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	3	6	15
End of Year	$ 222	$ 219	$ 213

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 — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

USE OF ESTIMATES — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates, income taxes, pension and other post-employment benefits, valuation of intangible assets, litigation, derivative financial instruments, and inventory and accounts receivable exposures.

FOREIGN CURRENCY TRANSLATION — The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

REVENUE RECOGNITION — Revenue from product sales is recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act (TCJA), or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. Abbott treats the GILTI tax as a period expense and provides for the tax in the year that the tax is incurred. Interest and penalties on income tax obligations are included in taxes on earnings.

EARNINGS PER SHARE — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2021, 2020 and 2019 were $7.042 billion, $4.449 billion and $3.666 billion, respectively. Net earnings allocated to common shares in 2021, 2020 and 2019 were $7.042 billion, $4.473 billion and $3.666 billion, respectively.

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the

expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

Note 1 — Summary of Significant Accounting Policies (Continued)

FAIR VALUE MEASUREMENTS — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

SHARE-BASED COMPENSATION — The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

LITIGATION — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, “Contingencies.” Under ASC No. 450, loss contingency provisions are recorded for probable losses at management’s best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of bank time deposits, U.S. government securities, money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of $256 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

TRADE RECEIVABLE VALUATIONS — Accounts receivable are stated at the net amount expected to be collected. The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

PROPERTY AND EQUIPMENT — 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
Equipment	2 to 20 years

PRODUCT LIABILITY — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Product liability losses are self-insured.

Note 1 — Summary of Significant Accounting Policies (Continued)

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D) — The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical or medical device products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over the remaining useful life. Collaborations are not significant.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 — New Accounting Standards

Recently Adopted Accounting Standards

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Abbott adopted the standard on January 1, 2021. The new standard did not have an impact on its consolidated financial statements.

Note 3 — Revenue

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

Note 3 — Revenue (Continued)

The following tables provide detail by sales category:

	2021			2020			2019		
(in millions)	**U.S.**	**Int'l**	**Total**	**U.S.**	**Int'l**	**Total**	**U.S.**	**Int'l**	**Total**
Established Pharmaceutical Products —									
Key Emerging Markets	$ —	$ 3,539	$ 3,539	$ —	$ 3,209	$ 3,209	$ —	$ 3,392	$ 3,392
Other	—	1,179	1,179	—	1,094	1,094	—	1,094	1,094
Total	—	4,718	4,718	—	4,303	4,303	—	4,486	4,486
Nutritionals —									
Pediatric Nutritionals	2,192	2,106	4,298	1,987	2,140	4,127	1,879	2,282	4,161
Adult Nutritionals	1,364	2,632	3,996	1,292	2,228	3,520	1,231	2,017	3,248
Total	3,556	4,738	8,294	3,279	4,368	7,647	3,110	4,299	7,409
Diagnostics —									
Core Laboratory	1,145	3,983	5,128	1,166	3,309	4,475	1,086	3,570	4,656
Molecular	566	861	1,427	621	817	1,438	149	293	442
Point of Care	384	152	536	369	147	516	438	123	561
Rapid Diagnostics	5,034	3,519	8,553	2,618	1,758	4,376	1,214	840	2,054
Total	7,129	8,515	15,644	4,774	6,031	10,805	2,887	4,826	7,713
Medical Devices —									
Rhythm Management	1,018	1,180	2,198	903	1,011	1,914	1,057	1,087	2,144
Electrophysiology	778	1,129	1,907	660	918	1,578	742	979	1,721
Heart Failure	654	235	889	547	193	740	574	195	769
Vascular	915	1,739	2,654	853	1,486	2,339	1,047	1,803	2,850
Structural Heart	730	880	1,610	540	707	1,247	616	784	1,400
Neuromodulation	616	165	781	564	138	702	660	171	831
Diabetes Care	1,212	3,116	4,328	864	2,403	3,267	678	1,846	2,524
Total	5,923	8,444	14,367	4,931	6,856	11,787	5,374	6,865	12,239
Other	34	18	52	38	28	66	27	30	57
Total	$16,642	$26,433	$43,075	$13,022	$21,586	$34,608	$11,398	$20,506	$31,904

Abbott recognizes revenue from product sales upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. For maintenance agreements that provide service beyond Abbott's standard warranty and other service agreements, revenue is recognized ratably over the contract term. A time-based measure of progress appropriately reflects the transfer of services to the customer. Payment terms between Abbott and its customers vary by the type of customer, country of sale, and the products or services offered. The term between invoicing and the payment due date is not significant.

Management exercises judgment in estimating variable consideration. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Abbott provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities.

Note 3 — Revenue (Continued)

Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Remaining Performance Obligations

As of December 31, 2021, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $4 billion in the Diagnostic Products segment and approximately $435 million in the Medical Devices segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

These performance obligations primarily reflect the future sale of reagents/consumables in contracts with minimum purchase obligations, extended warranty or service obligations related to previously sold equipment, and remote monitoring services related to previously implanted devices. Abbott has applied the practical expedient described in ASC 606-10-50-14 and has not included remaining performance obligations related to contracts with original expected durations of one year or less in the amounts above.

Assets Recognized for Costs to Obtain a Contract with a Customer

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2021 and 2020 were not significant.

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2021 and 2020 were not significant.

Other Contract Assets and Liabilities

Abbott discloses Trade receivables separately in the Consolidated Balance Sheet at the net amount expected to be collected. Contract assets primarily relate to Abbott's conditional right to consideration

for work completed but not billed at the reporting date. Contract assets at the beginning and end of the period, as well as the changes in the balance, were not significant.

Note 3 — Revenue (Continued)

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. Abbott's contract liabilities arise primarily in the Medical Devices reportable segment when payment is received upfront for various multi-period extended service arrangements. Changes in the contract liabilities during the period are as follows:

(in millions)		
Contract Liabilities:		
Balance at December 31, 2019	$	294
Unearned revenue from cash received during the period		505
Revenue recognized related to contract liability balance		(394)
Balance at December 31, 2020		405
Unearned revenue from cash received during the period		615
Revenue recognized related to contract liability balance		(500)
Balance at December 31, 2021	$	520

Note 4 — Supplemental Financial Information

Other (income) expense, net, for 2021, 2020 and 2019 includes approximately $270 million, $205 million and $225 million of income, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans.

The following summarizes the activity related to the allowance for doubtful accounts:

(in millions)		
Allowance for Doubtful Accounts:		
Balance at December 31, 2019	$	228
Impact of adopting ASU 2016-13		7
Provisions/charges to income		88
Amounts charged off and other deductions		(35)
Balance at December 31, 2020		288
Provisions/charges to income		51
Amounts charged off and other deductions		(26)
Balance at December 31, 2021	$	313

The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

The detail of various balance sheet components is as follows:

(in millions)	December 31, 2021	December 31, 2020
Long-term Investments:		
Equity securities	$ 748	$ 776
Other	68	45
Total	$ 816	$ 821

The decrease in Abbott's long-term investments as of December 31, 2021 versus the balance as of December 31, 2020 primarily relates to the sale of an equity method investment partially offset by the acquisition of additional investments.

Note 4 — Supplemental Financial Information (Continued)

Abbott's equity securities as of December 31, 2021 and December 31, 2020, include $391 million and $366 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2021 with a carrying value of $256 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $90 million that do not have a readily determinable fair value. An approximately $60 million impairment of an investment was recorded in 2020 for which Abbott had previously recorded an unrealized gain of approximately $50 million in 2018.

In September 2021, Abbott acquired 100 percent of Walk Vascular, LLC (Walk Vascular), a commercial-stage medical device company with a minimally invasive thrombectomy system designed to remove peripheral blood clots. Walk Vascular's peripheral thrombectomy system will be incorporated into Abbott's existing endovascular portfolio. The purchase price, the allocation of acquired assets and liabilities, and the revenue and net income contributed by Walk Vascular since the date of acquisition are not material to Abbott's consolidated financial statements.

In 2019, in conjunction with the acquisition of Cephea Valve Technologies, Inc., Abbott acquired a research & development (R&D) asset valued at $102 million, which was immediately expensed. The $102 million of expense was recorded in the Research and development line of Abbott's Consolidated Statement of Earnings.

(in millions)	December 31, 2021	December 31, 2020
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 364	$ 316
Accrued other rebates (a)	1,082	805
All other	3,735	4,044
Total	$ 5,181	$ 5,165

(a) Accrued wholesaler chargeback rebates of $211 million and $178 million at December 31, 2021 and 2020, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	December 31, 2021	December 31, 2020
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 2,738	$ 3,119
Deferred income taxes	1,392	1,406
Operating lease liabilities	956	902
All other (b)	3,685	3,684
Total	$ 8,771	$ 9,111

(b) Includes approximately $680 million and $740 million of net unrecognized tax benefits in 2021 and 2020, respectively.

Note 5 — Accumulated Other Comprehensive Income (Loss)

The components of the changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows:

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial (Losses) and Prior Service (Costs) and Credits	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2019	$ (4,924)	$ (3,540)	$ (1)	$ (8,465)
Other comprehensive income (loss) before reclassifications	65	(523)	(140)	(598)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	192	(75)	117
Net current period other comprehensive income (loss)	65	(331)	(215)	(481)
Balance at December 31, 2020	(4,859)	(3,871)	(216)	(8,946)
Other comprehensive income (loss) before reclassifications	(980)	954	137	111
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	247	214	461
	(980)	1,201	351	572

Net current period other comprehensive income (loss)				
Balance at December 31, 2021	$ (5,839)	$ (2,670)	$ 135	$ (8,374)

(a) (Income) loss amounts reclassified from accumulated other comprehensive income related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost – see Note 13 for additional information.

Note 6 — Goodwill and Intangible Assets

The total amount of goodwill reported was $23.2 billion at December 31, 2021 and $23.7 billion at December 31, 2020. Foreign currency translation adjustments decreased goodwill by $532 million in 2021 and increased goodwill by $550 million in 2020. The amount of goodwill related to reportable segments at December 31, 2021 was $2.8 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.7 billion for the Diagnostic Products segment, and $16.4 billion for the Medical Devices segment. There were no reductions of goodwill relating to impairments in 2021 and 2020.

Indefinite-lived intangible assets, which relate to IPR&D acquired in a business combination, were approximately $919 million and $1.2 billion at December 31, 2021 and 2020, respectively. The decrease is due to IPR&D assets primarily related to the Medical Devices segment that became amortizable in 2021, partially offset by an increase of approximately $80 million related to a recent acquisition. In 2020, a $55 million impairment of an IPR&D intangible asset related to the Medical Devices segment was recorded in the Research and development line of Abbott's Consolidated Statement of Earnings.

The gross amount of amortizable intangible assets, primarily product rights and technology, was $27.7 billion and $27.8 billion as of December 31, 2021 and 2020, respectively, and accumulated amortization was $15.9 billion and $14.2 billion as of December 31, 2021 and 2020, respectively. Amortizable intangible assets increased by approximately $120 million as a result of a recent acquisition and the additional assets are being amortized over 9 years. Foreign currency translation adjustments decreased intangible assets by $197 million in 2021 and increased intangible assets by $67 million in 2020. In 2021, asset impairments related to the Established Pharmaceutical Products segment decreased intangible assets by $14 million. In 2020, asset impairments related to the Medical Devices segment decreased intangible assets by $148 million. The impairments were recorded in the Cost of products sold, excluding amortization of intangible assets line of Abbott's Consolidated Statement of Earnings. The estimated annual amortization expense for intangible assets recorded at December 31, 2021 is approximately $2.1 billion in 2022, $2.0 billion in 2023, $1.9 billion in 2024, $1.7 billion in 2025 and $1.6 billion in 2026. Amortizable intangible assets are amortized over 2 to 20 years.

Note 7 — Restructuring Plans

On May 27, 2021, Abbott management approved a restructuring plan related to its Diagnostic Products segment to align its manufacturing network for COVID-19 diagnostic tests with changes in the second quarter in projected testing demand driven by several factors, including significant reductions in cases in the U.S. and other major developed countries, the accelerated rollout of COVID-19 vaccines globally and the U.S. health authority's updated guidance on testing for fully vaccinated individuals. In the second quarter of 2021, Abbott recorded charges of $499 million under this plan in Cost of products sold. The charge recognized in the second quarter included fixed asset write-downs of $80 million, inventory-related charges of $248 million, and other exit costs, which included contract cancellations and employee-related costs of $171 million.

In the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased significantly, particularly in the U.S., demand for rapid COVID-19 tests increased significantly. As a result, in the second half of 2021, Abbott sold approximately $181 million of inventory that was previously estimated to have no net realizable value under the second quarter restructuring action. In addition, the estimate of other exit costs was reduced by a net $58 million as Abbott fulfilled its purchase obligations under certain contracts for which a liability was recorded in the second quarter or Abbott settled with the counterparty in the second half of 2021.

The following summarizes the activity related to this restructuring action and the status of the related accruals as of December 31, 2021:

(in millions)	Inventory-Related Charges	Fixed Asset Write-Downs	Other Exit Costs	Total
Restructuring charges recorded in 2021	$ 248	$ 80	$ 113	$ 441
Payments	—	—	(90)	(90)
Other non-cash	(248)	(80)	—	(328)
Accrued balance at December 31, 2021	$ —	$ —	$ 23	$ 23

From 2017 to 2021, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2018, the accrued balance associated with these actions was $41 million. From 2019 to 2021, Abbott recorded employee-related severance and other charges totaling approximately $95 million, comprised of $10 million in 2021, $13 million in 2020, and $72 million in 2019. Approximately $31 million was recorded in Cost of products sold, approximately $5 million was recorded in Research and development, and approximately $59 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $9 million.

From 2017 to 2020, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. As of December 31, 2018, the accrued balance associated with these actions was $70 million. From 2019 to 2020, Abbott recorded employee-related severance and other charges totaling approximately $102 million, comprised of $36 million in 2020 and $66 million in 2019. Approximately $22 million was recorded in Cost of products sold, approximately $30 million was recorded in Research and development, and approximately $50 million was recorded in Selling, general and administrative expense over the two years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $24 million.

In 2021, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the diagnostics, established pharmaceuticals, nutritional, and medical devices businesses. Abbott recorded employee-related severance and other charges of approximately $68 million. Approximately $16 million was recorded in Cost of products sold, approximately $4 million was recorded in Research and development, and approximately $48 million was recorded in Selling, general and administrative expense.

Note 7 — Restructuring Plans (Continued)

The following summarizes the activity for these restructurings:

(in millions)		
Restructuring charges in 2021	$	68
Payments and other adjustments		(7)
Accrued balance at December 31, 2021	$	61

Note 8 — Incentive Stock Program

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2021, Abbott granted 2,865,115 stock options, 497,373 restricted stock awards and 4,721,696 restricted stock units under this program.

Under Abbott's stock incentive 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 generally vest equally over three years. Restricted stock awards generally vest over three years, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of options and restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2021, approximately 102 million shares remained available for future issuance.

The following table summarizes stock option activity for the year ended December 31, 2021 and the outstanding stock options as of December 31, 2021.

(intrinsic values in millions)	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	28,919,886	$ 55.65	6.0	$ 1,557
Granted	2,865,115	123.70		
Exercised	(4,495,454)	40.48		
Lapsed	(89,696)	106.80		
Outstanding at December 31, 2021	27,199,851	$ 65.16	5.7	$ 2,056
Exercisable at December 31, 2021	20,387,490	$ 53.49	4.9	$ 1,779

Note 8 — Incentive Stock Program (Continued)

The following table summarizes restricted stock awards and units activity for the year ended December 31, 2021.

	Share Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2020	12,492,868	$ 78.19
Granted	5,219,069	123.85
Vested	(6,507,761)	73.54
Forfeited	(645,651)	98.13
Outstanding at December 31, 2021	10,558,525	$102.40

The fair market value of restricted stock awards and units vested in 2021, 2020 and 2019 was $809 million, $631 million and $588 million, respectively.

The total intrinsic value of options exercised in 2021, 2020 and 2019 was $393 million, $279 million and $315 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2021 amounted to approximately $450 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2021, 2020 and 2019 for share-based plans totaled approximately $640 million, $546 million and $519 million, respectively, and the tax benefit recognized was approximately $267 million, $200 million and $197 million, respectively. Stock compensation cost capitalized as part of inventory is not significant.

The table below summarizes the fair value of an option granted in 2021, 2020 and 2019 and the assumptions included in the Black-Scholes option-pricing model used to estimate the fair value:

	2021	2020	2019
Fair value	$24.17	$14.39	$14.50
Risk-free interest rate	0.8 %	1.3 %	2.5 %
Average life of options (years)	6.0	6.0	6.0
Volatility	23.8 %	19.4 %	19.8 %
Dividend yield	1.5 %	1.6 %	1.7 %

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 9 — Debt and Lines of Credit

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

(in millions)	2021	2020
2.55% Notes, due 2022	$ 750	$ 750
0.875% Notes, due 2023	1,294	1,398
3.40% Notes, due 2023	1,050	1,050
5-year term loan due 2024	521	577
0.10% Notes, due 2024	670	724
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,294	1,398
3.75% Notes, due 2026	1,700	1,700
0.375% Notes, due 2027	670	724
1.15% Notes, due 2028	650	650
1.40% Notes, due 2030	650	650
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(78)	(87)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	23	144
Total carrying amount of long-term debt	18,050	18,534
Less: Current portion	754	7
Total long-term portion	$17,296	$18,527

On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.

On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In 2019, Abbott's long-term borrowings and debt issuance included the following:

- On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed an offering of €1.180 billion of long-term debt consisting of €590 million of 0.10% Notes due 2024 and €590 million of 0.375% Notes due 2027. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.
- On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

Note 9 — Debt and Lines of Credit (Continued)

In 2019, Abbott's repayment of long-term debt included the following:

- $0.500 billion outstanding principal amount of its 2.80% Notes due 2020 – redeemed on February 24, 2019
- $2.850 billion principal amount of its 2.9% Notes due 2021 – redeemed on December 19, 2019. Abbott incurred a charge of $63 million related to the early repayment of this debt.

The 2.80% Notes were redeemed under a bond redemption authorization approved by the board of directors in 2018. The 2.9% Notes were redeemed under a bond redemption authorization approved by the board of directors in September 2019 for the early redemption of up to $5 billion of outstanding long-term notes. The 2019 bond redemption authorization superseded the board's 2018 authorization. Of the $5 billion authorization, $2.15 billion remains available as of December 31, 2021.

Principal payments required on long-term debt outstanding at December 31, 2021 are $754 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024, $1.5 billion in 2025, $3.0 billion in 2026 and $9.3 billion in 2027 and thereafter.

At December 31, 2021, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's.

In December 2021, Abbott repaid a short-term facility for approximately $195 million. After the repayment, Abbott has no short-term borrowings. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2020 and 2019.

Note 10 — Leases

Leases where Abbott is the Lessee

Abbott has entered into operating leases as the lessee for office space, manufacturing facilities, R&D laboratories, warehouses, vehicles and equipment. Finance leases are not significant. Abbott's operating leases generally have remaining lease terms of 1 to 10 years. Some leases include options to extend beyond the original lease term, generally up to 10 years and some include options to terminate early. These options have been included in the determination of the lease liability when it is reasonably certain that the option will be exercised.

For all of its asset classes, Abbott elected the practical expedient allowed under FASB ASC No. 842, "Leases" to account for each lease component (e.g., the right to use office space) and the associated non-lease components (e.g., maintenance services) as a single lease component. Abbott also elected the short-term lease accounting policy for all asset classes; therefore, Abbott is not recognizing a lease liability or right of use (ROU) asset for any lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that Abbott is reasonably certain to exercise.

As Abbott's leases typically do not provide an implicit rate, the interest rate used to determine the present value of the payments under each lease typically reflects Abbott's incremental borrowing rate based on information available at the lease commencement date. Abbott's incremental borrowing rates at January 1, 2019 were used for operating leases that commenced prior to January 1, 2019 when ASC No. 842 was adopted.

Note 10 — Leases (Continued)

The following table provides information related to Abbott's operating leases:

(in millions, except weighted averages)	2021	2020	2019
Operating lease cost (a)	$ 359	$ 329	$ 314
Cash paid for amounts included in the measurement of operating lease liabilities	287	264	253
ROU assets arising from entering into new operating lease obligations	343	396	310
Weighted average remaining lease term at December 31 (in years)	8	8	8
Weighted average discount rate at December 31	2.7 %	3.2 %	3.9 %

(a) Includes short-term lease expense and variable lease costs, which were immaterial in the years ended December 31, 2021, 2020 and 2019.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2021 were as follows:

(in millions)	
2022	$ 272
2023	234
2024	178
2025	142
2026	118
Thereafter	407
Total future minimum lease payments – undiscounted	1,351
Less: imputed interest	(150)
Present value of lease liabilities	$ 1,201

The following table summarizes the amounts and location of operating lease ROU assets and lease liabilities:

(in millions)	December 31, 202	December 31, 2020	Balance Sheet Caption
Operating Lease - ROU Asset	$ 1,153	$ 1,101	Deferred income taxes and other assets
Operating Lease Liability:			
Current	$ 245	$ 241	Other accrued liabilities
Non-current	956	902	Post-employment obligations and other long-term liabilities
Total Liability	$ 1,201	$ 1,143	

Note 10 — Leases (Continued)

Leases where Abbott is the Lessor

Certain assets, primarily diagnostics instruments, are leased to customers under contractual arrangements that typically include an operating or sales-type lease as well as performance obligations for reagents and other consumables. Sales-type leases are not significant. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where instruments are provided under operating lease arrangements, some portion or the entire lease revenue may be variable and subject to subsequent non-lease component (e.g., reagent) sales. The allocation of revenue between the lease and non-lease components is based on standalone selling prices. Operating lease revenue represented less than 3 percent of Abbott's total net sales in the years ended December 31, 2021, 2020 and 2019.

Assets related to operating leases are reported within Net property and equipment on the Consolidated Balance Sheet. The original cost and the net book value of such assets were $3.5 billion and $1.6 billion, respectively, as of December 31, 2021 and $3.3 billion and $1.4 billion, respectively, as of December 31, 2020.

Note 11 — Financial Instruments, Derivatives and Fair Value Measures

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates primarily for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling $8.6 billion at December 31, 2021, and $8.1 billion at December 31, 2020, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2021 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and 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. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2021 and 2020, Abbott held gross notional amounts of $12.2 billion and $11.0 billion, respectively, of such foreign currency forward exchange contracts.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $521 million and $577 million as of December 31, 2021 and December 31, 2020, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2021 and 2020, to manage its exposure to changes in the fair value of fixed-rate debt. 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. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value — Assets			Fair Value — Liabilities		
(in millions)	2021	2020	Balance Sheet Caption	2021	2020	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$ 87	$210	Deferred income taxes and other assets	$ —	$ —	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	222	30	Other prepaid expenses and receivables	65	433	Other accrued liabilities
Others not designated as hedges	70	60	Other prepaid expenses and receivables	32	65	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	521	577	Long-term debt
	$379	$300		$618	$1,075	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2021	2020	2019	2021	2020	2019	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$164	$(207)	$ 9	$(252)	$102	$ 79	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	56	(31)	4	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(123)	162	148	Interest expense

A gain of $19 million, a loss of $171 million and a gain of $75 million were recognized in 2021, 2020 and 2019, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps 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. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

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. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2021		2020	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 748	$ 748	$ 776	$ 776
Other	68	68	45	45
Total long-term debt	(18,050)	(21,152)	(18,534)	(22,809)
Foreign Currency Forward Exchange Contracts:				
Receivable position	292	292	90	90
(Payable) position	(97)	(97)	(498)	(498)
Interest Rate Hedge Contracts:				
Receivable position	87	87	210	210
(Payable) position	—	—	—	—

The fair value of the debt was determined based on significant other observable inputs, including current interest rates.

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

		Basis of Fair Value Measurement		
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2021:				
Equity securities	$ 402	$ 402	$ —	$ —
Interest rate swap derivative financial instruments	87	—	87	—
Foreign currency forward exchange contracts	292	—	292	—
Total Assets	$ 781	$ 402	$ 379	$ —
Fair value of hedged long-term debt	$ 2,926	$ —	$ 2,926	$ —
Foreign currency forward exchange contracts	97	—	97	—
Contingent consideration related to business combinations	130	—	—	130
Total Liabilities	$ 3,153	$ —	$ 3,023	$ 130
December 31, 2020:				
Equity securities	$ 386	$ 386	$ —	$ —
Interest rate swap derivative financial instruments	210	—	210	—
Foreign currency forward exchange contracts	90	—	90	—
Total Assets	$ 686	$ 386	$ 300	$ —
Fair value of hedged long-term debt	$ 3,049	$ —	$ 3,049	$ —
Foreign currency forward exchange contracts	498	—	498	—
Contingent consideration related to business combinations	68	—	—	68
Total Liabilities	$ 3,615	$ —	$ 3,547	$ 68

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

Contingent consideration relates to businesses acquired by Abbott. The increase in contingent consideration during the year primarily reflects the fair value of the contingent consideration that resulted from a recent acquisition; the fair value of such contingent consideration was determined based on an independent appraisal. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount that may be due under the other contingent consideration arrangements was estimated at December 31, 2021 to be approximately $230 million, which is dependent upon attaining certain sales thresholds or upon the occurrence of certain events, such as regulatory approvals. The increase from the estimate at December 31, 2020 of approximately $200 million reflects the additional contingent consideration that resulted from a recent acquisition, partially offset by the expiration of certain contingent consideration arrangements.

Note 12 — Litigation and Environmental Matters

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. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $30 million to $45 million. The recorded accrual balance at December 31, 2021 for these proceedings and exposures was approximately $40 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 13 — Post-Employment Benefits

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	
(in millions)	2021	2020	2021	2020
Projected benefit obligations, January 1	$13,129	$11,238	$ 1,567	$ 1,556
Service cost — benefits earned during the year	391	336	56	46
Interest cost on projected benefit obligations	248	300	33	42
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	(463)	1,305	(16)	(5)
Benefits paid	(340)	(327)	(74)	(73)
Other, including foreign currency translation	(192)	277	—	1
Projected benefit obligations, December 31	$12,773	$13,129	$ 1,566	$ 1,567
Plan assets at fair value, January 1	$12,018	$10,277	$ 353	$ 360
Actual return (loss) on plan assets	1,521	1,463	56	46
Company contributions	418	400	35	20
Benefits paid	(340)	(327)	(74)	(73)
Other, including foreign currency translation	(149)	205	—	—
Plan assets at fair value, December 31	$13,468	$12,018	$ 370	$ 353
Projected benefit obligations less (greater) than plan assets, December 31	$ 695	$ (1,111)	$(1,196)	$(1,214)
Long-term assets	$ 2,270	$ 824	$ —	$ —
Short-term liabilities	(31)	(29)	(2)	(1)
Long-term liabilities	(1,544)	(1,906)	(1,194)	(1,213)
Net asset (liability)	$ 695	$ (1,111)	$(1,196)	$(1,214)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 3,062	$ 4,559	$ 412	$ 486
Prior service cost (credits)	(5)	(5)	(39)	(67)
Total	$ 3,057	$ 4,554	$ 373	$ 419

The $463 million of defined benefit plan gains in 2021 that decreased the projected benefit obligations primarily reflect the year-over-year increase in the discount rates used to measure the obligations. The $1.3 billion of defined benefit plan losses in 2020 that increased the projected benefit obligations primarily reflect the year-over-year decline in the discount rates used to measure the obligations. The projected benefit obligations for non-U.S. defined benefit plans were $3.7 billion and $4.1 billion at December 31, 2021 and 2020, respectively. The accumulated benefit obligations for all defined benefit plans were $11.5 billion and $11.9 billion at December 31, 2021 and 2020, respectively.

For plans where the projected benefit obligations exceeded plan assets at December 31, 2021 and 2020, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2021	2020
Projected benefit obligation	$2,632	$8,946
Fair value of plan assets	1,057	7,010

Note 13 — Post-Employment Benefits (Continued)

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2021 and 2020, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2021	2020
Accumulated benefit obligation	$ 1,406	$ 2,459
Projected benefit obligation	1,554	2,773
Fair value of plan assets	136	965

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2021	2020	2019	2021	2020	2019
Service cost — benefits earned during the year	$ 391	$ 336	$ 250	$ 56	$ 46	$ 23
Interest cost on projected benefit obligations	248	300	337	33	42	52
Expected return on plans' assets	(843)	(770)	(710)	(27)	(28)	(27)
Amortization of actuarial losses	317	255	132	29	21	22
Amortization of prior service cost (credits)	1	1	1	(28)	(28)	(32)
Total net cost	$ 114	$ 122	$ 10	$ 63	$ 53	$ 38

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial gains of $1.141 billion for defined benefit plans and a gain of $45 million for medical and dental plans in 2021; net actuarial losses of $611 million for defined benefit plans and a gain of $23 million for medical and dental plans in 2020, and net actuarial losses of $944 million for defined benefit plans and a loss of $190 million for medical and dental plans in 2019. The net actuarial gains in 2021 are primarily due to the favorable impact of actual asset returns in excess of expected returns and the year-over-year increase in discount rates. The net

actuarial losses in 2020 are primarily due to the year-over-year decline in discount rates partially offset by the impact of actual asset returns in excess of expected returns.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2021	2020	2019
Discount rate	2.7 %	2.3 %	3.0 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.3 %

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2021	2020	2019
Discount rate	2.3 %	3.0 %	4.0 %
Expected return on plan assets	7.5 %	7.5 %	7.5 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.3 %

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2021	2020	2019
Health care cost trend rate assumed for the next year	7 %	8 %	9 %
Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2026	2025	2025

Note 13 — Post-Employment Benefits (Continued)

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date.

The following table summarizes the bases used to measure the defined benefit and medical and dental plan assets at fair value:

		Basis of Fair Value Measurement			
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at NAV (j)
December 31, 2021:					
Equities:					
U.S. large cap (a)	$ 3,664	$ 2,403	$ —	$ —	$ 1,261
U.S. mid and small cap (b)	936	876	—	4	56
International (c)	2,902	591	—	—	2,311
Fixed income securities:					
U.S. government securities (d)	366	21	325	—	20
Corporate debt instruments (e)	1,709	434	1,260	—	15
Non-U.S. government securities (f)	626	33	1	—	592
Other (g)	510	87	111	—	312
Absolute return funds (h)	1,934	476	—	—	1,458
Cash and Cash Equivalents	266	35	—	—	231
Other (i)	925	2	—	—	923
	$ 13,838	$ 4,958	$ 1,697	$ 4	$ 7,179
December 31, 2020:					

Equities:					
U.S. large cap (a)	$ 3,410	$ 2,202	$ —	$ —	$ 1,208
U.S. mid and small cap (b)	775	721	—	3	51
International (c)	2,654	542	—	—	2,112
Fixed income securities:					
U.S. government securities (d)	475	23	289	—	163
Corporate debt instruments (e)	1,408	425	908	—	75
Non-U.S. government securities (f)	523	16	—	—	507
Other (g)	503	159	72	—	272
Absolute return funds (h)	1,618	462	—	—	1,156
Cash and Cash Equivalents	281	19	—	—	262
Other (i)	724	9	—	—	715
	$ 12,371	$ 4,578	$ 1,269	$ 3	$ 6,521

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Canada, Japan and Eurozone government bonds.

Note 13 — Post-Employment Benefits (Continued)

(g) Primarily asset backed securities, bank loans and actively managed, diversified fixed income vehicles benchmarked to Libor.

(h) Primarily hedge funds and funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

(i) Primarily investments in private funds, such as private equity, private credit, private real estate and private energy funds.

(j) Investments measured at fair value using the net asset value (NAV) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per week or month, with a required 2 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2021 and 2020. Fixed income securities in a common collective trust or a registered investment company are valued at the NAV provided by the fund administrator. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2021 and 2020. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 90 days. For approximately $290 million and $150 million of the absolute return funds, redemptions are subject to a 33 percent gate and a 25 percent gate, respectively, and $50 million is subject to a lock until 2022. Investments in the private funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2022 to 2031. Abbott's unfunded commitment in these funds was $585 million and $523 million as of December 31, 2021 and 2020, respectively.

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $418 million in 2021 and $400 million in 2020 to defined pension plans. Abbott expects to contribute approximately $415 million to its pension plans in 2022.

Note 13 — Post-Employment Benefits (Continued)

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2022	$ 350	$ 75
2023	365	75
2024	387	77
2025	408	78
2026	429	79
2027 to 2031	2,485	410

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $181 million in 2021, $164 million in 2020 and $158 million in 2019.

Note 14 — Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

In 2021, taxes on earnings from continuing operations include approximately $145 million in excess tax benefits associated with share-based compensation and approximately $55 million of net tax benefits as a result of the resolution of various tax positions related to prior years.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax liability associated with the 2017 TCJA. The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion. The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2021, the remaining balance of Abbott's transition tax obligation is approximately $794 million, which will be paid over the next five years as allowed by the TCJA. Earnings from discontinued operations, net of tax, in 2020 reflect the recognition of $24 million of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. In 2019, taxes on earnings from continuing operations included approximately $100 million in excess tax benefits associated with share-based compensation, an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019.

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

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

(in millions)	2021	2020	2019
Earnings From Continuing Operations Before Taxes:			
Domestic	$3,264	$1,588	$ 889
Foreign	4,947	3,380	3,188
Total	$8,211	$4,968	$4,077

(in millions)	2021	2020	2019
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 859	$ 39	$ 291
Foreign	790	566	590
Total current	1,649	605	881
Deferred:			
Domestic	(355)	(18)	(305)
Foreign	(154)	(90)	(186)
Total deferred	(509)	(108)	(491)
Total	$1,140	$ 497	$ 390

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

	2021	2020	2019
Statutory tax rate on earnings from continuing operations	21.0 %	21.0 %	21.0 %
Impact of foreign operations	(3.9)	(3.3)	(5.0)
Impact of TCJA and other related items	—	0.5	(2.1)
Foreign-derived intangible income benefit	(1.1)	(1.0)	(2.0)
Domestic impairment loss	(0.1)	(2.7)	—
Excess tax benefits related to stock compensation	(1.7)	(1.9)	(2.5)
Research tax credit	(0.6)	(1.0)	(1.2)
Resolution of certain tax positions pertaining to prior years	(0.7)	(2.8)	—
Intercompany restructurings and integration	0.1	0.5	—
State taxes, net of federal benefit	0.4	0.5	0.8
All other, net	0.5	0.2	0.6
Effective tax rate on earnings from continuing operations	13.9 %	10.0 %	9.6 %

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta.

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2021	2020
Deferred tax assets:		
Compensation and employee benefits	$ 618	$ 1,003
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,425	2,483
Trade receivable reserves	206	196
Inventory reserves	169	146
Lease liabilities	273	259
Deferred intercompany profit	261	254
Total deferred tax assets before valuation allowance	3,952	4,341
Valuation allowance	(1,180)	(1,160)
Total deferred tax assets	2,772	3,181
Deferred tax liabilities:		
Depreciation	(330)	(297)
Right of Use lease assets	(264)	(251)
Other, primarily the excess of book basis over tax basis of intangible assets	(2,364)	(2,876)
Total deferred tax liabilities	(2,958)	(3,424)
Total net deferred tax assets (liabilities)	$ (186)	$ (243)

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	2021	2020
January 1	$ 1,210	$ 1,175
Increase due to current year tax positions	143	190
Increase due to prior year tax positions	748	97
Decrease due to prior year tax positions	(119)	(144)
Settlements	(35)	(27)
Lapse of statute	(39)	(81)
December 31	$ 1,908	$ 1,210

The 2021 increase due to prior year tax positions includes approximately $714 million of international tax positions for which a deferred tax asset has not been recorded because recognition of the future benefit is not expected.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.12 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $50 million to $60 million,

including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 15 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. 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:

Established Pharmaceutical Products—International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products—Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products—Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Rapid Diagnostics, Molecular Diagnostics and Point of Care divisions are aggregated and reported as the Diagnostic Products segment.

Medical Devices — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart, neuromodulation and diabetes care products. For segment reporting purposes, the Cardiac Rhythm Management, Electrophysiology and Heart Failure, Vascular, Neuromodulation, Structural Heart and Diabetes Care divisions are aggregated and reported as the Medical Devices segment.

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. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

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 (a)			Operating Earnings (a)		
(in millions)	2021	2020	2019	2021	2020	2019
Established Pharmaceutical Products	$ 4,718	$ 4,303	$ 4,486	$ 889	$ 794	$ 904
Nutritional Products	8,294	7,647	7,409	1,763	1,751	1,705
Diagnostic Products	15,644	10,805	7,713	6,256	3,725	1,912
Medical Devices	14,367	11,787	12,239	4,514	3,038	3,769
Total Reportable Segments	43,023	34,542	31,487	$13,422	$ 9,308	$ 8,290
Other	52	66	57			
Total	$43,075	$34,608	$31,904			

(a) In 2021, the impact of foreign exchange favorably impacted net sales and unfavorably impacted operating earnings. In 2020 and 2019, the impact of foreign exchange unfavorably impacted net sales and operating earnings.

Note 15 — Segment and Geographic Area Information (Continued)

(in millions)	2021	2020	2019
Total Reportable Segment Operating Earnings	$13,422	$ 9,308	$ 8,290
Corporate functions and benefit plan costs	(801)	(518)	(468)
Net interest expense	(490)	(500)	(576)
Loss on extinguishment of debt	—	—	(63)
Share-based compensation	(640)	(546)	(519)
Amortization of intangible assets	(2,047)	(2,132)	(1,936)
Other, net (b)	(1,233)	(644)	(651)
Earnings from Continuing Operations Before Taxes	$ 8,211	$ 4,968	$ 4,077

(b) Other, net includes integration costs associated with the acquisition of St. Jude Medical and Alere and restructuring charges in 2021, 2020 and 2019. 2021 restructuring charges include Abbott's restructuring plan for its COVID-19 test manufacturing network. Other, net for 2021 also includes costs related to certain litigation. Other, net in 2020 also includes costs related to asset impairments, partially offset by income from the settlement of litigation. Charges for restructuring actions and other cost reduction initiatives were approximately $375 million in 2021, $125 million in 2020 and $215 million in 2019.

	Depreciation			Additions to Property and Equipment			Total Assets		
(in millions)	2021	2020	2019	2021	2020	2019	2021	2020	2019
Established Pharmaceuticals	$ 94	$ 88	$ 98	$ 169	$ 109	$ 109	$ 2,789	$ 2,888	$ 2,858
Nutritionals	151	143	139	174	201	141	3,425	3,478	3,274
Diagnostics	760	488	403	980	1,263	726	7,699	7,696	5,235
Medical Devices	285	281	266	348	402	532	7,261	6,893	6,640
Total Reportable Segments	1,290	1,000	906	1,671	1,975	1,508	$21,174	$20,955	$18,007
Other	201	195	172	201	218	160			
Total	$1,491	$1,195	$1,078	$1,872	$2,193	$1,668			

(in millions)	2021	2020
Total Reportable Segment Assets	$ 21,174	$ 20,955
Cash and investments	11,065	7,969
Goodwill and intangible assets	35,970	38,528
All other (c)	6,987	5,096
Total Assets	$ 75,196	$ 72,548

(c) All other includes the long-term assets associated with the defined benefit plans of $2.27 billion in 2021 and $824 million in 2020.

Note 15 — Segment and Geographic Area Information (Continued)

(in millions)	Net Sales to External Customers (d) 2021	2020	2019
United States	$16,642	$13,022	$11,398
Germany	2,572	2,108	1,751
China	2,392	1,965	2,346
Japan	1,695	1,386	1,435
India	1,561	1,323	1,397
Canada	1,385	841	573
Switzerland	1,313	1,140	1,068
All Other Countries	15,515	12,823	11,936
Consolidated	$43,075	$34,608	$31,904

(d) Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2021 and 2020, long-lived assets totaled $13.1 billion and $11.7 billion, respectively, and in the United States such assets totaled $6.8 billion and $6.1 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2021, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 78.

Robert B. Ford
Chairman of the Board and Chief Executive Officer

Robert E. Funck, Jr.
Executive Vice President, Finance and Chief Financial Officer

Philip P. Boudreau
Vice President, Finance and Controller

February 18, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 18, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income taxes – Unrecognized tax benefits

Description of the Matter

As described in Note 14 to the consolidated financial statements, unrecognized tax benefits were approximately $1.9 billion at December 31, 2021. Unrecognized tax benefits are assessed by management quarterly for identification and measurement, or more frequently if there are any indicators suggesting change in unrecognized tax benefits. Assessing tax positions involves judgement including interpreting tax laws of multiple jurisdictions and assumptions relevant to the measurement of an unrecognized tax benefit, including the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority. These judgements and assumptions can significantly affect unrecognized tax benefits.

How We Addressed the Matter in our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of unrecognized tax benefits, as well as its process for the assessment of events that may indicate a change in unrecognized tax benefits is warranted. For example, we tested controls over management's review of the completeness of identified unrecognized tax benefits, as well as controls over management's review of significant assumptions used within the measurement of unrecognized tax benefits.

With the support of our tax professionals, among other audit procedures performed, we evaluated the reasonableness of management's judgement with respect to the interpretation of tax

laws of multiple jurisdictions by reading and evaluating management's documentation, including relevant accounting policies, and by considering how tax law, including statutes, regulations and case law, affected management's judgments. We tested the completeness of management's assessment of the identification of unrecognized tax benefits and possible outcomes related to it including evaluation of technical merits of the unrecognized tax benefits. We also tested, with the support of our valuation specialists, appropriateness and consistency of management's methods and significant assumptions associated with the measurement of unrecognized tax benefits, including assessing the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Chicago, Illinois
February 18, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on Internal Control over Financial Reporting

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 18, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 18, 2022

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Robert B. Ford, and the Chief Financial Officer, Robert E. Funck, Jr., evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 75 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 78 hereof.

Changes in internal control over financial reporting. During the quarter ended December 31, 2021, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2022 Abbott Laboratories Proxy Statement. The 2022 Proxy Statement will be filed on or about March 18, 2022. Also incorporated herein by reference is the text found under the caption, "Information About Our Executive Officers" on pages 17 through 20 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2022 Proxy Statement under the headings "Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2022 Proxy Statement will be filed on or about March 18, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*.

The following table presents information as of December 31, 2021 about our compensation plans under which Abbott common shares have been authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	26,609,935	$ 65.93	90,958,732
Equity compensation plans not approved by security holders	0	—	0
Total (1)(2)	26,609,935	$ 65.93	90,958,732

(1) (i) *Abbott Laboratories 2009 Incentive Stock Program*. Benefits under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program") include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program

may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

(ii) *Abbott Laboratories 2017 Incentive Stock Program*. Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

(iii) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees*. Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one

percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2021, an aggregate of 10,638,639 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

(2) Not included in the table: *St. Jude Medical, Inc. Plans*. In 2017, in connection with the acquisition of St. Jude Medical, Inc., options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) were assumed by Abbott and converted into Abbott options of substantially equivalent value. As of December 31, 2021, 589,916 options remained outstanding under these plans. These options have a weighted average purchase price of $30.61. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 8 entitled “Incentive Stock Program” of the Notes to Consolidated Financial Statements included under Item 8, “Financial Statements and Supplementary Data.”

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading “Security Ownership of Executive Officers and Directors” and “Information Concerning Security Ownership” in the 2022 Proxy Statement. The 2022 Proxy Statement will be filed on or about March 18, 2022.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2022 Proxy Statement under the headings “The Board of Directors,” “Committees of the Board of Directors,” and “Approval Process for Related Person Transactions” is incorporated herein by reference. The 2022 Proxy Statement will be filed on or about March 18, 2022.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2022 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2022 Proxy Statement will be filed on or about March 18, 2022.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 40 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 of Abbott Laboratories:

(3) *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is set forth in Item 15(b) below.

(b) Exhibits filed.

10-K Exhibit Table Item No.		
3.1	*	Amended and Restated Articles of Incorporation of Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K filed on April 26, 2021.
3.2	*	By-Laws of Abbott Laboratories, as amended and restated effective December 10,2021, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K filed on December 10,2021.
4.1	*	Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
4.2	*	Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
4.3	*	Form of $1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.4	*	Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.5	*	Form of $1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.6	*	

Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.

4.7 * Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.

10-K Exhibit Table Item No.		
4.8	*	Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.9	*	Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.10	*	Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.11	*	Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.12	*	Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.13	*	Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.14	*	Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.15	*	Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.16	*	Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.17	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2016 Annual Report on Form 10-K.
4.18	*	Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.19	*	Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.20	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.
4.21	†	Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.

10-K Exhibit Table Item No.		
4.22	†	Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
4.23	†	Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
4.24	†	Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.
4.25	*	Form of Seventh Supplemental Indenture between St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.3 to the Abbott Laboratories Registration Statement on Form S-4 dated February 21, 2017.
4.26	*	Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.27	*	First Supplemental Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and transfer agent, and Elavon Financial Services DAC, as registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.28	*	Second Supplemental Indenture dated November 19, 2019, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, as paying agent, transfer agent and registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019.
4.29	*	Form of 0.875% Note due 2023 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.30	*	Form of 1.500% Note due 2026 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.31	*	Form of 0.100% Note due 2024 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).
4.32	*	Form of 0.375% Note due 2027 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).

4.33	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 1.150% Notes due 2028 and 1.400% Notes due 2030, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020.

10-K Exhibit Table Item No.		
4.34	*	Form of 1.150% Notes due 2028, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K filed on June 24, 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020).
4.35	*	Form of 1.400% Notes due 2030, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K filed on June 24, 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020).
		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.
4.36		Description of Registrant's Securities.
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	*	Abbott Laboratories Deferred Compensation Plan, as amended, filed as Exhibit 10.2 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.3	*	Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.4	*	Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.5	*	1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.6	*	1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.7	*	Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.8	*	Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.9	*	Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017).**
10.10	*	Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.11	*	Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**
10.12	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**

10-K Exhibit Table Item No.		
10.13	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.14	*	Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.15	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.16	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.17	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.18	*	Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.19	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.20	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.21	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.22	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.23	*	Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.24	*	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.25	*	Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.26	*	Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.27	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.28	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.29	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.30	*	Form of Restricted Stock Unit Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.31	*	Form of Restricted Stock Unit Agreement for foreign employees (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.32	*	Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.33	*	Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.34	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.35	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.36	*	Form of Restricted Stock Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.37	*	Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.38	*	Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.39	*	Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.40	*	Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.41	*	

Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.42	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.43	*	Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.44	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.45	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.46	*	Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.47	*	Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.48	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.49	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.50	*	Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.51	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.52	*	Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.53	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.54	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.55	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.56	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.56 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.57	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.57 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.58	*	Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program , filed as Exhibit 10.58 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.59	*	Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.59 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.60	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.60 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.61	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.61 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.62	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.62 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.63	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.63 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.64	*	Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.**
10.65	*	Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2022, filed as Exhibit 10.66 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**

10.66 *	Form of Time Sharing Agreement between Abbott Laboratories Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.**

10-K Exhibit Table Item No.		
10.67	*	Form of Time Sharing Agreement between Abbott Laboratories Inc. and Robert B. Ford, filed as Exhibit 10.68 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.68	†	St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.**
10.69	†	Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.**
10.70	†	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.71	†	Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.72	*	Management Savings Plan, as amended and restated, filed as Exhibit 10.75 to the 2019 Abbott Laboratories Annual Report on Form 10-K).**
10.73	*	Abbott Overseas Managers Pension Plan, as amended and restated, filed as Exhibit 10.74 to the 2020 Abbott Laboratories Annual Report on Form 10-K.**
10.74	*	Five Year Credit Agreement, dated as of November 12, 2020, among Abbott Laboratories, as borrower, various financial institutions, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.75 to the 2020 Abbott Laboratories Annual Report on Form 10-K.
21		Subsidiaries of Abbott Laboratories.
23.1		Consent of Independent Registered Public Accounting Firm.
31.1		Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2		Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
		Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.
32.1		Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

10-K Exhibit Table Item No.	
101	The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 18, 2022, formatted in Inline XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).

* 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.

† Incorporated herein by reference. Commission file number 1-12441.

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

(c) Financial Statement Schedule filed (page 94).

ITEM 16. FORM 10-K SUMMARY

None.

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/ ROBERT B. FORD
Robert B. Ford
Chairman of the Board and Chief Executive Officer

Date: February 18, 2022

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 18, 2022 in the capacities indicated below.

/s/ ROBERT B. FORD
Robert B. Ford
Chairman of the Board and Chief Executive Officer, and Director of Abbott Laboratories
(principal executive officer)

/s/ ROBERT E. FUNCK, JR.
Robert E. Funck, Jr.
Executive Vice President, Finance and Chief Financial Officer
(principal financial officer)

/s/ PHILIP P. BOUDREAU
Philip P. Boudreau
Vice President, Finance and Controller
(principal accounting officer)

/s/ ROBERT J. ALPERN
Robert J. Alpern, M.D.
Director of Abbott Laboratories

/s/ ROXANNE S. AUSTIN
Roxanne S. Austin
Director of Abbott Laboratories

/s/ SALLY E. BLOUNT
Sally E. Blount, Ph.D.
Director of Abbott Laboratories

/s/ PAOLA GONZALEZ
Paola Gonzalez
Director of Abbott Laboratories

/s/ MICHELLE A. KUMBIER
Michelle A. Kumbier
Director of Abbott Laboratories

/s/ DARREN W. MCDEW
Darren W. McDew
Director of Abbott Laboratories

/s/ NANCY MCKINSTRY
Nancy McKinstry
Director of Abbott Laboratories

/s/ WILLIAM A. OSBORN
William A. Osborn
Director of Abbott Laboratories

/s/ MICHAEL F. ROMAN
Michael F. Roman
Director of Abbott Laboratories

/s/ DANIEL J. STARKS
Daniel J. Starks
Director of Abbott Laboratories

/s/ JOHN G. STRATTON
John G. Stratton
Director of Abbott Laboratories

/s/ GLENN F. TILTON
Glenn F. Tilton
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2021	$ 460	$ 145	$ (86)	$ 519
2020	384	187	(111)	460
2019	314	137	(68)	384

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2021 and 2020, for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 18, 2022 (included elsewhere in this Annual Report on Form 10-K). Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K (the "schedule"). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Chicago, Illinois
February 18, 2022

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

FORM 10-K

(MARK ONE)

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

OR

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

For the fiscal year ended December 31, 2020 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation
100 Abbott Park Road
Abbott Park, Illinois 60064-6400

36-0698440
(I.R.S. employer identification number)
(224) 667-6100
(telephone number)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered

Common Shares, Without Par Value	ABT	New York Stock Exchange Chicago Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	**Accelerated Filer ☐**	**Non-Accelerated Filer ☐**	**Smaller reporting company ☐** **Emerging growth company ☐**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the 1,727,625,764 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2020), was $157,956,823,602. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2021: 1,771,529,358

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2021 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Definitive Proxy Statement will be filed on or about March 12, 2021.

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.

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon™, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal™ and Dicetel™, for the treatment of irritable bowel syndrome or biliary spasm; Heptral™, Transmetil™, and Samyr™, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac™, for regulation of the physiological rhythm of the colon;
- women's health products, including Duphaston™, for the treatment of many different gynecological disorders; and Femoston™, a hormone replacement therapy for postmenopausal women;
- cardiovascular and metabolic products, including Lipanthyl™ and TriCor™, for the treatment of dyslipidemia; Teveten™ and Teveten™ Plus, for the treatment of essential hypertension, and Physiotens™, for the treatment of hypertension; and Synthroid™, for the treatment of hypothyroidism;
- pain and central nervous system products, including Serc™, for the treatment of Ménière's disease and vestibular vertigo; Brufen™, for the treatment of pain, fever, and inflammation; and Sevedol™, for the treatment of severe migraines; and
- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin™, Klacid™, and Klaricid™); and Influvac™, an influenza vaccine.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building strong brands with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors may increase competitive pressures.

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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.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, retailers, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion medicine, including the Alinity® family of instruments, ARCHITECT®, ABBOTT PRISM®, and Cell-Dyn®, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, therapeutic drug monitoring, and a suite of SARS-CoV-2 serology assays;
- molecular diagnostics polymerase chain reaction (PCR) instrument systems, including Alinity® m and m2000™ that automate the extraction, purification, and preparation of DNA and RNA from patient samples, and detect and measure infectious agents including HIV, hepatitis, HPV, sexually transmitted infections, and SARS-CoV-2; and products for oncology with the Vysis® FISH product line of genomic-based tests;
- point of care systems, including the i-STAT® and next-generation i-STAT® Alinity® and cartridges for testing blood gas, chemistry, electrolytes, coagulation and immunoassay;
- rapid diagnostics lateral flow testing products in the area of infectious diseases, including respiratory viruses such as SARS-CoV-2 and influenza, HIV, hepatitis, and tropical diseases such as malaria and dengue fever; molecular point-of-care testing for HIV, including the m-PIMA® HIV-1/2 Viral Load Test, and for SARS-CoV-2 and influenza A & B, RSV and strep A, including the ID NOW® rapid molecular system; cardiometabolic testing, including Afinion® and Cholestech™ platforms and tests; a toxicology business for drug and alcohol testing; and remote patient monitoring and consumer self-testing; and
- informatics and automation solutions for use in laboratories, including laboratory automation systems, the RALS® point of care solution, and AlinIQ®, a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

- various forms of prepared infant formula and follow-on formula, including Similac®*, Similac Pro-Advance®*, Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive®*, Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac®*, Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Similac Total Comfort®*, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain™, Grow™, Similac En Mei Li™, and Eleva™;
- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure® Max Protein, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure™, PediaSure®,

PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound™, Pedialyte® and Zone Perfect®; and

- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego™ (Enteral Pump) and Freego™ sets, Nepro®, and Vital®.

  * These products are available with 2'-FL HMO (Human Milk Oligosaccharide) in several markets.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain™, Grow™, Eleva™, PediaSure®, PediaSure SideKicks®, Pedialyte®, Ensure®, Zone Perfect®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets where appropriate.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Medical Devices

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, and diabetes care products for people with diabetes, as well as neuromodulation devices for the management of chronic pain and movement disorders. Medical devices are manufactured, marketed and sold worldwide. In the United States, depending upon the product, medical devices are generally marketed and sold directly to wholesalers, hospitals, ambulatory surgery centers, physicians' offices, and distributors 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.

The principal products included in the Medical Devices segment are:

- rhythm management products, including Assurity MRI® and Endurity MRI® pacemaker systems; Ellipse®, Fortify Assura®, and Gallant™ implantable cardioverter defibrillators and Gallant and Quadra Assura MP® implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint® Pacing technology; and Confirm Rx® implantable cardiac monitor;

- electrophysiology products, including the TactiCath® family of ablation catheters and FlexAbility® irrigated ablation catheters; Ampere® RF ablation generator; EnSite® family of cardiac mapping systems; and the Advisor® HD Grid mapping catheter;

- heart failure related products, including the HeartMate™ left ventricular device family and the CardioMEMS® HF System pulmonary artery sensor, a heart failure monitoring system;

- vascular products, including the XIENCE™ family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE® and Perclose ProGlide® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal II® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/Emboshield NAV6®, carotid stent systems; and the OPTIS® integrated system with the Dragonfly OPTIS® imaging catheter and PressureWire® fractional flow reserve measurement systems;

- structural heart products, including MitraClip®, a percutaneous mitral valve repair system; Trifecta® Valve with Glide™ Technology, a surgical tissue heart valve; Portico® transcatheter aortic heart valve; Regent™ mechanical heart valve; Amplatzer® PFO occluders; Amplatzer Amulet® occluder devices; the Tendyne® Transcatheter Mitral Valve Implantation (TMVI) system; and the TriClip® Transcatheter Tricuspid Valve Repair System;

- continuous glucose and blood glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand such as the FreeStyle Libre® system; and

- neuromodulation products, including spinal cord stimulators Proclaim® Elite and Proclaim® XR Recharge-free implantable pulse generators (IPG) and Prodigy MRI® IPG, each with BurstDR® stimulation, and Proclaim® DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the Infinity® Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

These products are subject to competition in technological innovation, price, convenience of use, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

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 countries of interest to Abbott. Abbott owns or has licenses 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 4. These, and various patents which expire during the period 2021 to 2041, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

Seasonal Aspects, Customers, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

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 2020 were not material and are not expected to be material in 2021.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation 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.

Human Capital

The sustainability of Abbott's business depends on attracting, engaging and developing talented people with diverse backgrounds who share Abbott's mission to help people live their healthiest possible lives. Abbott provides its employees opportunities to grow and develop their careers, market competitive compensation and benefit programs, and the

satisfaction of being part of a global company dedicated to improving health in more than 160 countries.

As of December 31, 2020, Abbott employed approximately 109,000 people, 70% of whom were employed outside of the U.S. Women represented 47% of Abbott's U.S. workforce, 45% of its global workforce, and 39% of its managers.

Health and Safety

The health, safety and wellness of its employees is an Abbott priority embedded at every level of its business. Abbott's integrated Environmental, Health and Safety organization governs health, safety and wellness at Abbott's facilities. Abbott also maintains global policies and standards for managing employee health and safety.

Abbott takes a holistic approach to employee well-being. Abbott's global wellness programs are designed to meet the unique needs of employees across businesses and geographies and offer a wide range of programs, including supporting the mental, financial and physical health of employees and their families. For example, for over 20 years, Abbott has annually offered Exercise Across Abbott, which is a four-week physical wellness program that encourages employees to team up with colleagues and track how many minutes they exercise each day. Over 22,000 Abbott employees across 72 countries took part in 2020.

During the COVID-19 pandemic, Abbott has taken aggressive steps to limit exposure and enhance the safety of facilities for its employees, including implementing mandatory temperature screening and social distancing, providing and requiring the use of personal protective equipment, and at most U.S. facilities, onsite COVID-19 testing.

Talent Management

Abbott has an integrated global talent management process that is designed to identify and assess talent across the organization and provide equal and consistent opportunities for employees to develop their skills. All levels of employees participate in Abbott's annual performance management process to create development plans that support their particular career objectives, and Abbott provides a broad range of training, mentoring and other development opportunities to help its employees meet these objectives. The board of directors conducts an annual Talent Management Review, focusing on development of talent, diversity, and succession planning for critical positions. Similar reviews take place at every level of Abbott to develop talent and diversity across the organization.

Diversity and Inclusion

Abbott is committed to developing a workplace that is inclusive for all. Abbott ties executive compensation to human capital management, including diversity outcomes, to sustain an inclusive culture and the fair and balanced treatment of Abbott's employees.

Abbott's employee networks play an important role in building an inclusive culture across all Abbott operations. A member of Abbott's senior management serves as a sponsor for each of these networks, helping to align their objectives with Abbott's business strategies. Abbott has ten such networks, which are: Advancing Professionals Network (supporting early career employees), Asian Leadership and Cultural Network, Black Business Network, Flex Network (employees with part-time and flexible schedules), LA VOICE Network (supporting Hispanic and Latino employees), People with Disabilities Network, PRIDE (supporting LGBTQ employees), Veterans Network, Women Leaders of Abbott, and Women in STEM.

Abbott offers professional development programs, which provide recent college graduates the opportunity to rotate through different areas of Abbott, often with the chance to work outside their home country. In 2020, 52% of the participants were women. Also, Abbott hosts hundreds of college students for paid internships. In 2020, 55% of the U.S. interns were women and 39% were minorities. Further, Abbott has operated a STEM internship program for high school students in the U.S. since 2012. The program's objective is to increase the number of students pursuing STEM-related careers and contribute to a more diverse talent pipeline for Abbott. In 2020, 58% of the STEM interns were women and 71% were minorities.

Compensation and Benefits

Abbott is committed to building, retaining, and motivating a diverse talent pipeline that can meet the current and future needs of its businesses. To that end, Abbott provides market competitive compensation, healthcare benefits, pension and/or retirement savings plans, and several programs to facilitate employees building an ownership stake in Abbott, including a global long-term incentive program for employees generally beginning at the manager level. Abbott also has procedures and processes focused on providing employees equitable compensation, regardless of race or gender or other personal characteristics.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration (FDA) and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Administration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

During the COVID-19 public health emergency, many pandemic-related products (including diagnostic tests) were authorized by regulators for emergency use solely during the pandemic. In addition, many governments enacted policies to expedite or promote access to health care in order to slow or stop the spread of the virus. Examples include expansion of telehealth coverages and increased reimbursements for diagnostic testing. It is uncertain when the public health emergency will end and to what extent these policies will continue or revert back to previous policies.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's laboratory facilities and home monitoring services, which provide services, related products and medical devices to consumers, are subject to additional laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. In the United States, Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations and significant changes thereto (such as the introduction of the Medical Device Regulation and the In Vitro Diagnostic Medical Device Regulation in the European Union) substantially increase the time, difficulty, and costs incurred in developing, obtaining and maintaining approval to market, and marketing newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's

certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future. In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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 the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Other payment methodology changes have been proposed and implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act established a new payment system for clinical laboratory tests in 2018.

The Patient Protection and Affordable Care Act (the Affordable Care Act) includes provisions known as the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. In October 2018, the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act significantly expanded the types of healthcare providers for which reporting is required, beginning with reports filed in 2022. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes or implementation of new health care legislation could result in significant changes to health care systems. In the United States, this could include potential modification, including expansion or repeal of all or parts of the Affordable Care Act.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information, financial information and other sensitive personal information), is increasing. For example, the European Union, various other countries, and various U.S. states (e.g., California) have enacted stricter data protection laws that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in business disruption and enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding

states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the manufacture, quality assurance requirements, marketing authorization processes, post-market surveillance requirements, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect the timing and expense associated with bringing health care products or services to market, access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission (the Commission). These reports and other information are also available, free of charge, at www.sec.gov.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (*www.abbottinvestor.com*).

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Business and Operational Risks

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

Abbott depends on sophisticated information technology systems and maintains protected personal data, and a cyber attack or other breach affecting these information technology systems or protected data could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised or stolen. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, manufacturing challenges or disruption, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott also collects, manages and processes protected personal data, including protected health information, in connection with certain medical products and service offerings. Abbott is subject to certain regional and local data protection laws that prohibit or restrict the transfer of protected data across country borders. For additional information concerning data privacy and security regulation, see the discussion in "Regulation" under Item 1, "Business." A breach of protected personal information could result in adverse consequences, including regulatory inquiries or litigation, increased costs and expenses, reputational damage, lost revenue, and fines or penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Similarly, there can be no assurance that third party information technology providers with whom Abbott contracts will not suffer a significant attack or disruption that impacts customers like Abbott. Any significant breach, attack or other disruption involving Abbott's systems or products could have a material adverse effect on Abbott's business.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A risk of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry or regulatory standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a lot or batch of product, those products may have to be discarded. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. Any of these events could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other lots, batches or products. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Abbott has significant indebtedness, which could adversely affect its business, including decreasing its business flexibility.

As of December 31, 2020, Abbott's consolidated indebtedness was approximately $18.7 billion. This consolidated indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit ratings. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or

short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

Legal and Regulatory Risks

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the FDA and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug, medical device, or diagnostic product can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

Changes in the health care regulatory environment may adversely affect Abbott's business.

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to Abbott's products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services. These provisions may be modified, expanded, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other companies, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for, or injury to, patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Economic and Industry Risks

Abbott is subject to risks related to public health crises, such as widespread outbreaks of infectious diseases like the COVID-19 pandemic.

As a global healthcare company, public health crises, such as the widespread outbreaks of infectious diseases like the COVID-19 pandemic, may negatively impact Abbott's operations. Health concerns and significant changes in political or economic conditions caused by such outbreaks can cause significant reductions in demand for routine diagnostic testing and medical device procedures or increased difficulty in serving customers, disrupt manufacturing and supply chains, and negatively affect our operations as well as the operations of our suppliers, distributors and other third-party partners. Furthermore, such widespread outbreaks may impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates.

With regard to the COVID-19 pandemic, the FDA issued Emergency Use Authorizations (EUAs) for several COVID-19 related products in 2020, including Abbott diagnostic tests. EUAs are authorized for the duration of the COVID-19 public health emergency unless sooner terminated or revoked. Abbott is actively pursuing the FDA's customary regulatory approval process for these diagnostic tests which has uncertainty as discussed in "*Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.*" in "Legal and Regulatory Risks" under "Item 1A. Risk Factors."

Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain. A more detailed discussion on the impact of the COVID-19 pandemic on Abbott's business is contained in the

"Financial Review" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from competitive products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2020 made up approximately 62 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review — Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2020 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 12 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2020 made up approximately 62 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

- differing local product preferences and product requirements;

- trade protection measures, including tariffs, import or export licensing requirements, and changes to international trade agreements;
- difficulty in establishing, staffing, and managing operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including sovereign debt issues;
- restrictions on local currency conversion and/or cash extraction;
- price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;
- inflation, recession, and fluctuations in interest rates;
- diminished protection of intellectual property; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling standards, source and use laws, and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;
- changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;
- changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;
- changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;
- changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;
- changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and
- legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other unknown or future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2020, Abbott owned or leased properties totaling approximately 43 million square feet, of which approximately 65% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 93 manufacturing facilities globally. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Medical Devices	27
Diagnostic Products	24
Established Pharmaceutical Products	28
Nutritional Products	14
Worldwide Total	93

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries, including China, Colombia, India, Singapore, Spain, and the United Kingdom.

There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations. 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 resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Executive officers of Abbott are elected annually by the board of directors. Each executive 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 executive officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott.

Abbott's executive officers, their ages as of February 19, 2021, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any executive officers or directors.

Miles D. White, 65

2020 to present — Executive Chairman and Director.

1999 to 2020 — Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer — 1993.

Robert B. Ford, 47

2020 to present — President and Chief Executive Officer, and Director.

2018 to 2020 — President and Chief Operating Officer, and Director since 2019.

2015 to 2018 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2008.

Hubert L. Allen, 55

2013 to present — Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer — 2012.

John M. Capek, 59

2015 to present — Executive Vice President, Ventures.

Elected Corporate Officer — 2006.

Lisa D. Earnhardt, 51

2019 to present — Executive Vice President, Medical Devices.

2008 to 2019 — President, CEO, and Director, Intersect ENT (a medical technology company focused on developing treatments for ear, nose and throat conditions).

Elected Corporate Officer — 2019.

Robert E. Funck, Jr., 59

2020 to present — Executive Vice President, Finance and Chief Financial Officer.

2018 to 2020 — Senior Vice President, Finance and Controller.

2013 to 2018 — Vice President, Controller.

Elected Corporate Officer — 2005.

John F. Ginascol, 62

2019 to present — Executive Vice President, Core Diagnostics.

2008 to 2019 — Vice President, Nutrition, Supply Chain.

Elected Corporate Officer — 2008.

Andrew H. Lane, 50

2017 to present — Executive Vice President, Established Pharmaceuticals.

2015 to 2017 — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

Elected Corporate Officer — 2015.

Mary K. Moreland, 54

2019 to present — Executive Vice President, Human Resources.

2013 to 2019 — Divisional Vice President, Compensation, Benefits and HR M&A.

Elected Corporate Officer — 2019.

Daniel Salvadori, 42

2017 to present — Executive Vice President, Nutritional Products.

2014 to 2017 — Senior Vice President, Established Pharmaceuticals, Latin America.

Elected Corporate Officer — 2014.

Andrea Wainer, 52

2019 to present — Executive Vice President, Rapid and Molecular Diagnostics.

2015 to 2019 — Vice President, Molecular Diagnostics.

Elected Corporate Officer — 2015.

Gregory A. Ahlberg, 54

2020 to present — Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

2017 to 2020 —Vice President, Diagnostics, Commercial Operations, Europe, Middle East and Africa.

2012 to 2017 — Divisional Vice President, USA, Abbott Diagnostics Division.

Elected Corporate Officer — 2017.

Roger M. Bird, 64

2015 to present — Senior Vice President, U.S. Nutrition.

Elected Corporate Officer — 2015.

Charles R. Brynelsen, 64

2017 to present — Senior Vice President, Abbott Vascular.

2016 to 2017 — Managing Director, CB Business Advisors, Inc. (a medical device consulting firm).

2015 to 2016 — Senior Vice President and President, Medtronic Early Technologies, Medtronic plc (a global medical device company).

Elected Corporate Officer — 2017.

Michael D. Dale, 61

2019 to present — Senior Vice President, Structural Heart.

2017 to 2019 — Vice President, Structural Heart.

2016 to 2017 — Divisional Vice President and General Manager, Structural Heart.

2014 to 2016 — President and Chief Executive Officer, GI Dynamics, Inc. (a medical device company focused on developing gastrointestinal therapies).

Elected Corporate Officer — 2017.

Sammy Karam, 59

2019 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2019 — Divisional Vice President, Global Marketing Commercial Execution, Established Pharmaceuticals.

Elected Corporate Officer — 2019.

Joseph Manning, 52

2017 to present — Senior Vice President, International Nutrition.

2015 to 2017 — Vice President, Nutrition, Asia Pacific.

Elected Corporate Officer — 2015.

Michael J. Pederson, 59

2019 to present — Senior Vice President, Electrophysiology and Heart Failure.

2017 to 2019 — Senior Vice President, Cardiac Arrhythmias and Heart Failure.

2015 to 2017 — Divisional Vice President and General Manager, Abbott Electrophysiology.

Elected Corporate Officer — 2017.

Christopher J. Scoggins, 51

2019 to present — Senior Vice President, Rapid Diagnostics.

2015 to 2019 — Vice President, Diabetes Care, Commercial Operations.

Elected Corporate Officer — 2015.

Jared L. Watkin, 53

2015 to present — Senior Vice President, Diabetes Care.

Elected Corporate Officer — 2015.

Alejandro D. Wellisch, 46

2017 to present — Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

Elected Corporate Officer — 2017.

Randel W. Woodgrift, 59

2019 to present — Senior Vice President, CRM.

2017 to 2019 — Vice President, Global Operations, Cardiovascular and Neuromodulation.

2015 to 2017 — Vice President, Operations and R&D, Abbott Vascular.

Elected Corporate Officer — 2015.

Philip P. Boudreau, 48

2020 to present — Vice President, Finance and Controller.

2017 to 2020 — Divisional Vice President, Controller, Medical Devices.

2012 to 2017 — Divisional Vice President, Controller and Commercial Support, Point of Care.

Elected Corporate Officer — 2020.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange under the symbol "ABT." Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

Shareholders

There were 37,450 shareholders of record of Abbott common shares as of December 31, 2020.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity (DCEO) designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. In 2020, the DCEO granted a two year extension for Abbott's HIB designation. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2020.

If you have any questions, please contact your tax advisor.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2020 — October 31, 2020	0 (1)	$ 0	0	$3,270,234,923 (2)
November 1, 2020 — November 30, 2020	0 (1)	$ 0	0	$3,270,234,923 (2)
December 1, 2020 — December 31, 2020	1,600,411 (1)	$107.999	1,600,411	$3,097,391,913 (2)
Total	1,600,411 (1)	$107.999	1,600,411	$3,097,391,913 (2)

(1) These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On September 11, 2014, the board of directors authorized the repurchase of up to $3 billion of its common shares, from time to time (the "2014 Plan"). On October 11, 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott common shares, from time to time (the "2019 Plan"). The 2019 Plan is in addition to the unused portion of the 2014 Plan.

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

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are medical devices, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 62 percent of consolidated net sales.

In 2020, the coronavirus (COVID-19) pandemic affected Abbott's diversified health care businesses in various ways. As is further described below, some businesses have performed at the levels required to successfully meet new demands, others have faced challenges, and still others have been relatively less impacted by the pandemic.

Abbott's Diagnostics business experienced the most significant change in sales from 2019 to 2020 as sales from new tests and other related products to detect COVID-19 more than outweighed the negative impact of COVID-19 on routine diagnostic testing volumes. Abbott mobilized its teams across multiple fronts to develop and launch the following new diagnostic tests for COVID-19 in 2020:

- In March, Abbott launched a molecular test using polymerase chain reaction (PCR) methods on its *m*2000™ RealTi*m*e lab-based platform to detect COVID-19 pursuant to an Emergency Use Authorization (EUA) in the U.S. and CE Mark.
- In March, Abbott also launched a molecular test to detect COVID-19 on its ID NOW™ rapid point-of-care platform in the U.S. pursuant to an EUA.
- In April, Abbott launched an IgG (Immunoglobulin G) lab-based serology blood test on its ARCHITECT® i1000SR and i2000SR® laboratory instruments for the detection of an antibody to determine if someone was previously infected with the virus. The serology test was granted an EUA in the U.S. and CE Mark in April.
- In May, Abbott launched a lab-based serology blood test on its Alinity® i system pursuant to an EUA in the U.S. and CE Mark.
- In May, Abbott also launched a molecular PCR test on its Alinity m system to detect COVID-19 pursuant to an EUA in the U.S. Abbott received CE Mark for this test in June.
- In June, Abbott launched a lateral flow COVID-19 rapid antibody test on its Panbio™ system in select countries pursuant to a CE Mark. This serology test detects an antibody to determine if someone was previously infected with the virus.
- In August, Abbott launched its AdviseDx SARS-CoV-2 IgM (Immunoglobulin M) lab-based serology test for use on its ARCHITECT and Alinity platforms pursuant to a CE Mark. Abbott was granted an EUA in the U.S. for this test in October.
- In August, Abbott launched its BinaxNOW™ COVID-19 Ag Card test, a portable, lateral flow rapid test to detect COVID-19 pursuant to an EUA in the U.S.
- In September, Abbott launched its Panbio rapid antigen test to detect COVID-19 pursuant to a CE Mark. In October, Abbott received approval by the World Health Organization for emergency use listing for the Panbio antigen test.
- In December, Abbott received CE Mark and launched its SARS-CoV-2-IgG II quantitative lab-based serology blood test for use on its ARCHITECT and Alinity i platforms.
- In December, Abbott received an EUA in the U.S. for virtually guided at-home use of its BinaxNOW COVID-19 Ag Card rapid test to detect COVID-19 and launched the product for at-home use.
- In December, Abbott launched its multiplex molecular test on its Alinity m system to detect COVID-19, flu A, flu B, and respiratory syncytial virus (RSV) pursuant to a CE Mark.

In 2020, Abbott's COVID-19 testing related sales totaled approximately $3.884 billion, led by sales related to Abbott's BinaxNOW, Panbio and ID NOW rapid testing platforms.

In addition to negatively impacting routine core diagnostic testing volumes, the pandemic negatively affected the number of cardiovascular and neuromodulation procedures performed by health care providers globally, thereby reducing the demand for Abbott's cardiovascular and neuromodulation devices and routine diagnostic tests in 2020. The decrease began in February in China as that country implemented quarantine restrictions and postponed non-emergency health care activities. The negative impact on cardiovascular and neuromodulation procedures and routine diagnostic tests expanded to other countries and geographic regions as COVID-19 spread geographically in the first half of 2020 and health care systems in these countries shifted their focus to fighting COVID-19.

The extent of the impact and the timing of a recovery in the number of procedures and routine testing in a particular country or geographic region depended upon the progression of COVID-19 cases in the country or region. The recovery in procedures and routine testing volumes in China began in March. In other parts of the world, such as the U.S. and Europe, volumes improved across Abbott's hospital-based businesses as the second quarter progressed and the improvement continued in the third quarter. However, in the fourth quarter, the improving trends in the demand for procedures and routine testing flattened or were negatively impacted depending upon the business and the region as many countries experienced an increase in the number of COVID-19 cases and hospitalizations.

Abbott's branded generic pharmaceuticals business was also negatively affected by the pandemic in 2020 as COVID-19 spread across emerging market countries in the second and third quarters of 2020. Abbott's nutritional and diabetes care businesses were the least affected by the pandemic as is further discussed below.

Abbott is continually implementing business continuity plans in the face of the pandemic. Due to the critical nature of its products and services, Abbott was generally exempt from governmental orders issued during the first quarter of 2020 in the U.S. and other countries requiring businesses to cease operations. The majority of its office-based work was conducted remotely during the period of such governmental orders and the company implemented strict travel restrictions. As some governmental orders were lifted in May and June 2020, Abbott entered a new phase in its operations whereby some office-based employees started working at Abbott's offices on a rotational basis. As various governmental orders and guidelines were modified in the fourth quarter to put in place new restrictions, Abbott continued to ensure that its guidance was aligned with such restrictions. Abbott has taken aggressive steps to limit exposure and enhance the safety of facilities for its employees.

Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on its business, financial condition or results of operations is uncertain.

While Abbott's 2020 sales were most significantly affected by the COVID-19 pandemic, the increase in total sales over the last three years also reflects volume growth due to the introduction of new products across various businesses as well as higher sales of various existing products. Sales in emerging markets, which represent approximately 37 percent of total company sales, increased 2.0 percent in 2020 and 8.2 percent in 2019, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin as a percentage of sales increased from 11.9 percent in 2018 to 14.2 percent in 2019 and 15.5 percent in 2020. The increase in 2020 reflects the sales volume increases in the rapid and molecular diagnostics businesses, partially offset by lower Medical Devices sales due to the impact of the pandemic and the unfavorable effect of foreign exchange. In addition, a reduction in the costs associated with business acquisitions and restructuring activities drove an improvement in operating margins from 2018 to 2020. In 2019, the increase in Abbott's operating margin also reflects margin improvement in various businesses and lower intangible amortization expense compared to 2018.

With respect to the performance of each reportable segment over the last three years, sales in the Medical Devices segment excluding the impact of foreign exchange decreased 3.8 percent in 2020 and increased 10.5 percent in 2019. The sales decrease in 2020 was driven by Abbott's cardiovascular and neuromodulation businesses due primarily to reduced procedure volumes as a result of the COVID-19 pandemic. These decreases were partially offset by double-digit growth in Diabetes Care. The sales increase in 2019 was driven

primarily by higher Diabetes Care, Structural Heart, Electrophysiology and Heart Failure sales.

In 2020, operating earnings for the Medical Devices segment decreased 19.4 percent. The operating margin profile decreased from 30.8 percent of sales in 2019 to 25.8 percent in 2020 primarily due to lower sales and manufacturing volumes as a result of the pandemic and pricing pressures on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

In 2020, key product approvals in the Medical Devices segment included:

- CE Mark for Abbott's Tendyne™ Transcatheter Mitral Valve Implantation system for the treatment of significant mitral regurgitation (MR) in patients requiring a heart valve replacement who are not candidates for open-heart surgery or transcatheter mitral valve repair,
- CE Mark for Abbott's TriClip® heart valve repair system, the world's first minimally invasive, clip-based device for repair of a leaky tricuspid heart valve,
- U.S. Food and Drug Administration (FDA) clearance of FreeStyle® Libre 2 as an integrated continuous glucose monitoring (iCGM) system for adults and children ages 4 and older with diabetes,
- CE Mark for Abbott's FreeStyle Libre 3 system, which automatically delivers real time, up-to-the-minute glucose readings, 14-day accuracy and real-time glucose alarms,
- CE Mark for the Libre Sense™ Glucose Sport Biosensor that provides continuous glucose monitoring to help athletes better understand the efficacy of their nutrition choices on training and athletic performance,
- U.S. FDA approval of the next-generation Gallant™ implantable cardioverter defibrillator and cardiac resynchronization therapy defibrillator devices which help manage heart rhythm disorders and offer Bluetooth technology and a new patient smartphone app for improved remote monitoring and enhanced patient-physician engagement,
- CE Mark for MitraClip® G4, Abbott's next-generation MitraClip mitral valve repair device,
- CE Mark of EnSite™ X EP System, a next-generation 3D cardiac mapping platform used for ablation therapy to treat abnormal heart rhythms,
- U.S. FDA clearance and CE Mark of the IonicRF™ Generator, a non-surgical, minimally invasive device that uses heat to target specific nerves for the management of chronic pain, and
- U.S. FDA approval of updated labeling to allow Abbott's HeartMate 3™ heart pump to be used in pediatric patients with advanced refractory left ventricular heart failure.

In Abbott's worldwide diagnostics business, sales increased 40.6 percent in 2020 and 5.9 percent in 2019, excluding the impact of foreign exchange. As was discussed above, sales growth in 2020 was driven by demand for Abbott's portfolio of COVID-19 diagnostics tests across its rapid and lab-based platforms, partially offset by lower volumes of routine laboratory testing due to the pandemic. Growth in 2019 reflected continued market penetration by the core laboratory business in the U.S. and internationally. The 2019 growth included the continued adoption by customers of Alinity, which is Abbott's integrated family of next-generation diagnostic systems and solutions that are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results.

Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments and has continued to build out its test menu for clinical chemistry and immunoassay diagnostics. Abbott has obtained regulatory approval for the "Alinity h" instrument for hematology in Europe and Japan. Abbott has also obtained regulatory approvals in the U.S. and Europe for the "Alinity s" (blood screening) and "Alinity m" (molecular) instruments and several testing assays.

In 2020, operating earnings for the Diagnostics segment increased 94.8 percent. The operating margin profile increased from 24.9 percent of sales in 2018 to 34.5 percent in 2020 primarily due to higher sales in 2020 in Rapid Diagnostics and Molecular Diagnostics, partially offset by lower volumes of routine testing in Core Laboratory.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by numerous new product introductions, including the roll-outs of human milk oligosaccharide, or HMO, in infant formula and of high-protein Ensure®, that leveraged Abbott's strong brands. Sales were also positively affected by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets. Excluding the impact of foreign exchange, total adult nutrition sales increased 10.3 percent in 2020 and 6.6 percent in 2019 led by the continued growth of Ensure, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand, across several countries. The 2019 sales growth was partially offset by the unfavorable impact of the discontinuation of a non-core product line in the U.S. Excluding the impact of foreign exchange, total pediatric nutrition sales increased 0.3 percent in 2020 and 3.4 percent in 2019 driven by the PediaSure® and Pedialyte® brands in the U.S. as well as infant and toddler product growth across several markets in Asia and Latin America, partially offset by challenging market dynamics in the infant category in Greater China. The 2020 increase was also driven by higher Similac® sales in the U.S.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 1.9 percent in 2020 and 7.3 percent in 2019. The sales increases in 2020 and 2019 reflect higher sales in several geographies including India, China, Brazil and Russia. Operating margins decreased from 20.2 percent of sales in 2018 to 18.5 percent in 2020 primarily due to the unfavorable impact of foreign exchange, product mix and lower gross margins.

With respect to Abbott's financial position, at December 31, 2020, Abbott's cash and cash equivalents and short-term investments total approximately $7.1 billion compared to $4.1 billion at December 31, 2019. Abbott's long-term debt and short-term borrowings total $18.7 billion and $18.1 billion at December 31, 2020 and 2019, respectively.

Abbott declared dividends of $1.53 per share in 2020 compared to $1.32 per share in 2019, an increase of approximately 16 percent. Dividends paid totaled $2.560 billion in 2020 compared to $2.270 billion in 2019. The year-over-year change in the amount of dividends paid primarily reflects the increase in the dividend rate. In December 2020, Abbott increased the company's quarterly dividend by 25 percent to $0.45 per share from $0.36 per share, effective with the dividend paid in February 2021.

In 2021, Abbott will focus on continuing to meet the demand for COVID-19 tests and will continue to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the medical devices business, Abbott will continue to focus on expanding its market position in various areas including diabetes care, structural heart, electrophysiology, and heart failure. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of line extensions of its science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth of its portfolio in emerging markets.

Critical Accounting Policies

Sales Rebates — In 2020, approximately 41 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2020 are in the Nutritional Products and Diabetes Care businesses. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2020, 2019 and 2018 amounted to approximately $3.3 billion, $3.1 billion and $3.0 billion, respectively, or 20.1 percent, 19.1 percent and 19.0 percent of gross sales, respectively, based on gross sales of approximately $16.6 billion, $16.3 billion and $16.0 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $166 million in 2020. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $207 million, $169 million and $175 million for cash discounts in 2020, 2019 and 2018, respectively, and $232 million, $192 million and $191 million for returns in 2020, 2019 and 2018, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2020, Abbott had WIC business in 27 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled. Undistributed foreign earnings remain indefinitely reinvested in

foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2020, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) were net losses of $4.6 billion for Abbott's defined benefit plans and net losses of $419 million for Abbott's medical and dental plans. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2020, goodwill amounted to $23.7 billion and net intangibles amounted to $14.8 billion. Amortization expense in continuing operations for intangible assets amounted to $2.1 billion in 2020, $1.9 billion in 2019 and $2.2 billion in 2018. There was no reduction of goodwill relating to impairments in 2020, 2019 and 2018.

Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $90 million to $120 million for its legal proceedings and environmental exposures. Accruals of approximately $105 million have been recorded at December 31, 2020 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

		Components of % Change		
	Total % Change	Price	Volume	Exchange
Total Net Sales				
2020 vs. 2019	8.5	(0.4)	10.2	(1.3)
2019 vs. 2018	4.3	0.2	7.3	(3.2)
Total U.S.				
2020 vs. 2019	14.2	(1.1)	15.3	—
2019 vs. 2018	5.2	(0.4)	5.6	—
Total International				
2020 vs. 2019	5.3	0.1	7.2	(2.0)
2019 vs. 2018	3.9	0.5	8.3	(4.9)
Established Pharmaceutical Products Segment				
2020 vs. 2019	(4.1)	2.7	(0.8)	(6.0)
2019 vs. 2018	1.4	3.0	4.3	(5.9)
Nutritional Products Segment				
2020 vs. 2019	3.2	0.8	3.9	(1.5)
2019 vs. 2018	2.5	0.9	3.9	(2.3)
Diagnostic Products Segment				
2020 vs. 2019	40.1	(0.8)	41.4	(0.5)
2019 vs. 2018	2.9	(0.5)	6.4	(3.0)
Medical Devices Segment				
2020 vs. 2019	(3.7)	(1.9)	(1.9)	0.1
2019 vs. 2018	7.6	(0.9)	11.4	(2.9)

The increase in Total Net Sales in 2020 reflects volume growth in the Diagnostics and Nutritional Products segments. In Medical Devices, the impact of COVID-19 on Abbott's cardiovascular and neuromodulation businesses was partially offset by double-digit volume growth in Diabetes Care. The increase in Total Net Sales in 2019 reflects volume growth across all of Abbott's segments. The price declines related to the Medical Devices segment in 2020 and 2019 primarily reflect DES pricing pressures as a result of market competition in the U.S. and other major markets.

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2020	2019	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,209	$3,392	(5)%	(8)%	3 %
Other	1,094	1,094	—	1	(1)
Nutritionals —					
International Pediatric Nutritionals	2,140	2,282	(6)	(2)	(4)
U.S. Pediatric Nutritionals	1,987	1,879	6	—	6
International Adult Nutritionals	2,228	2,017	11	(3)	14
U.S. Adult Nutritionals	1,292	1,231	5	—	5
Diagnostics —					
Core Laboratory	4,475	4,656	(4)	(1)	(3)
Molecular	1,438	442	225	(1)	226
Point of Care	516	561	(8)	—	(8)
Rapid Diagnostics	4,376	2,054	113	1	112
Medical Devices —					
Rhythm Management	1,914	2,144	(11)	—	(11)
Electrophysiology	1,578	1,721	(8)	1	(9)
Heart Failure	740	769	(4)	—	(4)
Vascular (a)	2,339	2,850	(18)	—	(18)
Structural Heart	1,247	1,400	(11)	—	(11)
Neuromodulation	702	831	(16)	—	(16)
Diabetes Care	3,267	2,524	29	—	29
(a) Vascular Product Lines:					
Coronary and Endovascular	2,263	2,740	(17)	—	(17)

(dollars in millions)	2019	2018	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,392	$3,363	1 %	(7)%	8 %
Other	1,094	1,059	3	(3)	6
Nutritionals —					
International Pediatric Nutritionals	2,282	2,254	1	(4)	5
U.S. Pediatric Nutritionals	1,879	1,843	2	—	2
International Adult Nutritionals	2,017	1,900	6	(5)	11
U.S. Adult Nutritionals	1,231	1,232	—	—	—
Diagnostics —					
Core Laboratory	4,656	4,386	6	(4)	10
Molecular	442	484	(9)	(3)	(6)
Point of Care	561	553	2	—	2
Rapid Diagnostics	2,054	2,072	(1)	(2)	1
Medical Devices —					
Rhythm Management	2,144	2,198	(3)	(3)	—
Electrophysiology	1,721	1,561	10	(3)	13
Heart Failure	769	646	19	(1)	20
Vascular (a)	2,850	2,929	(3)	(3)	—
Structural Heart	1,400	1,239	13	(3)	16
Neuromodulation	831	864	(4)	(2)	(2)
Diabetes Care	2,524	1,933	31	(5)	36
(a) Vascular Product Lines:					
Coronary and Endovascular	2,740	2,778	(1)	(2)	1

In order to compute results excluding the impact of exchange rates, current year U.S. dollar sales are multiplied or divided, as appropriate, by the current year average foreign exchange rates and then those amounts are multiplied or divided, as appropriate, by the prior year average foreign exchange rates.

Total Established Pharmaceutical Products sales increased 1.9 percent in 2020 and 7.3 percent in 2019, excluding the unfavorable impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 2.6 percent in 2020 and 7.9 percent in 2019 due to higher sales in several geographies including China, Brazil, India and Russia. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets decreased 0.5 percent in 2020 and increased 5.6 percent in 2019.

Total Nutritional Products sales increased 4.7 percent in 2020 and 4.8 percent in 2019, excluding the impact of foreign exchange. In 2020, International Pediatric Nutritional sales, excluding the effect of foreign exchange, decreased 4.1 percent as growth across Abbott's pediatric products in various countries in Southeast Asia was more than offset by challenging market dynamics in the infant category in Greater China. The 4.6 percent increase in 2019

International Pediatric Nutritional sales, excluding the effect of foreign exchange, was driven by growth across Abbott's portfolio, including Similac and PediaSure in various countries in Asia and Latin America and Pedialyte in Latin America. This growth was partially offset by challenging market dynamics in the infant category in Greater China. In the U.S. Pediatric Nutritional business, sales increased 5.8 percent in 2020 and 1.9 percent in 2019, reflecting growth in Similac in 2020 and growth in PediaSure and Pedialyte in both years.

In the International Adult Nutritional business, sales increased 13.6 percent and 10.9 percent in 2020 and 2019, respectively, excluding the effect of foreign exchange, due to continued growth of Ensure and Glucerna in several countries. In 2020 U.S. Adult Nutritional sales increased 4.9 percent, primarily due to growth of Ensure. In 2019, U.S. Adult Nutritional sales were unchanged from 2018 due to the impact of Abbott's discontinuation of a non-core product line during the third quarter of 2018 that was offset by growth in other areas of the business.

In the Diagnostics segment, Core Laboratory sales decreased 2.8 percent in 2020, excluding the effect of foreign exchange, as the lower volume of routine testing performed in hospital and other laboratories due to COVID-19 was partially offset by sales of Abbott's COVID-19 laboratory-based tests for the detection of the IgG and IgM antibodies, which determine if someone was previously infected with the virus. Core Laboratory antibody testing-related sales on Abbott's ARCHITECT and Alinity i platforms were $268 million in 2020. The 225.7 percent increase in Molecular Diagnostics sales in 2020, excluding the effect of foreign exchange, reflects higher volumes due to demand for Abbott's laboratory-based molecular tests for COVID-19 on its m2000 and Alinity m platforms. Abbott received U.S. FDA approval in March 2020 for its Alinity m molecular diagnostics system. Molecular Diagnostics COVID-19 testing-related sales were $1.023 billion in 2020.

In Rapid Diagnostics, sales increased 112.3 percent in 2020, excluding the effect of foreign exchange, due to strong demand for Abbott's point-of-care COVID-19 molecular test on its ID NOW platform and its BinaxNOW COVID-19 Ag Card test in the U.S. as well as international demand for COVID-19 rapid tests on its Panbio system and increased testing in the first quarter for the flu in the U.S. These increases were partially offset by the unfavorable impact of COVID-19 on routine diagnostic testing. Rapid Diagnostics COVID-19 testing-related sales were $2.593 billion in 2020.

In the Diagnostics segment, the sales increase in 2019 was driven by above-market growth in Core Laboratory in the U.S. and internationally, where Abbott achieved continued adoption of its Alinity family of diagnostic instruments. The 6.3 percent decrease in 2019 Molecular sales, excluding the effect of foreign exchange, reflects the negative impact of lower non-governmental organization purchases in Africa. In Rapid Diagnostics, sales growth in 2019 in various areas, including infectious disease testing in developed markets and cardio-metabolic testing, was mostly offset by lower than expected infectious disease testing sales in Africa.

Excluding the effect of foreign exchange, total Medical Devices sales decreased 3.8 percent and increased 10.5 percent in 2020 and 2019, respectively. In 2020, double-digit growth in Diabetes Care was more than offset by decreases in Abbott's cardiovascular and neuromodulation businesses due to the impact of COVID-19 and lower vascular sales in China in the fourth quarter of 2020 as a result of a new national tender program. The 2019 sales increase was driven by double-digit growth in Diabetes Care, Structural Heart, Electrophysiology and Heart Failure.

The 2020 and 2019 growth in Diabetes Care revenue was driven by continued growth of FreeStyle Libre, Abbott's continuous glucose monitoring system, internationally and in the U.S. In 2020, FreeStyle Libre sales totaled $2.635 billion, which reflected a 42.6 percent increase over 2019, excluding the effect of foreign exchange. FreeStyle Libre sales in 2019 were $1.842 billion, which reflected a 69.8 percent increase, excluding the effect of foreign exchange, over 2018 when sales totaled $1.128 billion.

In 2019, growth in Structural Heart revenue was broad-based across several areas of the business, including MitraClip, Abbott's market-leading device for the minimally invasive treatment of mitral regurgitation (MR), a leaky heart valve. 2019 growth in Electrophysiology revenue reflects higher sales of cardiac diagnostic and ablation catheters in both the U.S. and internationally. The growth in Heart Failure revenue in 2019 was driven by rapid market adoption in the U.S. of Abbott's HeartMate 3® Left Ventricular Assist Device (LVAD) following FDA approval in October 2018 as a destination (long-term use) therapy for people living with advanced heart failure as well as higher sales of Abbott's CardioMEMS® heart failure monitoring system. In Vascular, excluding the effect of foreign exchange, sales in 2019 were flat as the 1.3 percent increase in coronary and endovascular product sales, which includes drug-eluting stents, balloon catheters, guidewires, vascular imaging/diagnostics products, vessel closure, carotid and other coronary and peripheral products, was offset by reductions in royalty and contract manufacturing revenue. In Rhythm Management, higher 2019 international sales, excluding the effect of foreign exchange, were offset by a 4.4 percent decrease in U.S. revenue. In 2019, the 2.4 percent

decline in Neuromodulation sales, excluding the effect of foreign exchange, reflects a 4.2 percent decline in U.S. sales.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2020, 2019 and 2018.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to materially affect Abbott.

In April 2017, Abbott received a warning letter from the U.S. FDA related to its manufacturing facility in Sylmar, CA which was acquired by Abbott on January 4, 2017 as part of the acquisition of St. Jude Medical, Inc. (St. Jude Medical). This facility manufactures implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and monitors. Abbott prepared and executed a comprehensive plan of corrective actions. On April 28, 2020, Abbott received a letter from the FDA indicating that, based on the FDA's evaluation, it appeared that Abbott had addressed the items in the warning letter. As a result, the warning letter is considered closed.

Operating Earnings

Gross profit margins were 50.5 percent of net sales in 2020, 52.5 percent in 2019 and 51.3 percent in 2018. In 2020, the decrease primarily reflects the mix of sales across Abbott's various businesses and operational inefficiencies due to the impact of COVID-19, as well as the increase in intangible asset amortization, the impairment of intangible assets and the unfavorable effect of foreign exchange on gross margin in 2020. In 2019, the increase primarily reflects lower intangible amortization expense and lower integration and restructuring costs.

Research and development (R&D) expenses were $2.4 billion in 2020 and 2019, and $2.3 billion in 2018. R&D spending in 2020 was relatively flat compared to 2019 as the impact of the immediate expensing in 2019 of an R&D asset valued at $102 million that was acquired in conjunction with the acquisition of Cephea Valve Technologies, Inc. (Cephea) was partially offset by the $55 million impairment of an in-process R&D intangible asset in 2020. R&D expense in 2020 also reflects lower integration and restructuring costs in 2020 related to R&D, partially offset by higher spending on various projects. R&D expenses in 2019 increased 6.1 percent, primarily reflecting the immediate expensing of the Cephea R&D asset as well as higher R&D spending in various businesses, primarily in Medical Devices, partially offset by the favorable effect of foreign exchange. In 2020, R&D expenditures totaled $1.3 billion for the Medical Devices segment, $608 million for the Diagnostic Products segment, $189 million for the Nutritional Products segment and $177 million for the Established Pharmaceutical Products segment.

Selling, general and administrative (SG&A) expenses were basically flat in 2020 and 2019 versus the respective prior years. In 2020, the favorable effect of foreign exchange, income of approximately $100 million from a litigation settlement in 2020, lower spending due to COVID-19 travel restrictions, and the impact of various cost saving initiatives were offset by higher spending to drive growth in various businesses. In 2019, the favorable effect of foreign exchange and lower acquisition-related integration costs offset higher selling and marketing costs to drive continued growth across various businesses.

Restructurings

From 2017 to 2020, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2017, the accrued balance associated with these actions was $68 million. From 2018 to 2020, Abbott recorded employee related severance and other charges totaling approximately $137 million, comprised of $13 million in 2020, $72 million in 2019 and $52 million in 2018. Approximately $30 million was recorded in Cost of products sold, approximately $15 million was recorded in Research and development, and approximately $92 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2020, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $25 million and primarily represent severance obligations.

From 2016 to 2020, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $36 million in 2020, $66 million in 2019 and $28 million in 2018. Approximately $6 million in 2020, $16 million in 2019 and $10 million in 2018 are recorded in Cost of products sold, approximately $2 million in 2020, $28 million in 2019 and $2 million in 2018 are recorded in Research and development, and

approximately $28 million in 2020, $22 million in 2019 and $16 million in 2018 are recorded in Selling, general and administrative expense.

Interest Expense and Interest (Income)

Interest expense, net decreased $76 million in 2020 due to a reduction in interest expense resulting from the favorable impact of the euro debt financing in November 2019, the repayment of debt in December 2019 and a lower interest rate environment in 2020. In 2019, interest expense, net decreased $145 million due to the favorable impact of the euro debt financing in September 2018, as well as the repayment of debt in 2018 and the first quarter of 2019.

Debt Extinguishment Costs

On December 19, 2019, Abbott redeemed the $2.850 billion principal amount of its 2.9% Notes due 2021. Abbott incurred a charge of $63 million related to the early repayment of this debt.

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On March 22, 2018, Abbott redeemed all of the $947 million principal amount of its 5.125% Notes due 2019, as well as $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

Other (Income) Expense, net

Other (income) expense, net, for 2020, 2019 and 2018 includes approximately $205 million, $225 million, and $160 million of income in each year, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. Other (income) expense, net for 2020 also includes equity investment impairments that totaled approximately $115 million.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 10.0 percent in 2020, 9.6 percent in 2019 and 18.8 percent in 2018.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax associated with the 2017 Tax Cuts and Jobs Act (TCJA). The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion.

In 2019, taxes on earnings from continuing operations included approximately $100 million in excess tax benefits associated with share-based compensation, an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries as well as approximately $90 million in excess tax benefits associated with share-based compensation. In 2018, Abbott also recorded $130 million of additional tax expense related to the TCJA; the $130 million reflected a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 15 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Discontinued Operations

The net earnings of discontinued operations include income tax benefits of $24 million in 2020 and $39 million in 2018. The 2020 tax benefits primarily relate to the resolution of various tax positions related to Abbott's developed markets branded generic pharmaceuticals business which was sold to Mylan Inc. (Mylan) in 2015. The tax positions relate to years prior to the sale to Mylan. The 2018 tax benefits primarily relate to the resolution of various tax positions related to the operations of AbbVie Inc. (AbbVie) for years prior to the separation. Abbott completed the separation of AbbVie, which was formed to hold Abbott's research-based proprietary pharmaceuticals business, in January 2013. Abbott retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation.

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

Research and Development Process

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

- Drug product development.
- Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).
- Phase II studies to test the efficacy of benefits in a small group of patients.
- Phase III studies to broaden the testing to a wider population that reflects the actual medical use.
- Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

- Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.
- Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.
- Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Premarket Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which has been governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category, with certain product categories requiring review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to declare conformity to the Directive. Other products only require a self-certification process. In the second quarter of 2017, the EU adopted the new In Vitro Diagnostic Regulation (IVDR) which replaces the existing directive in the EU for in vitro diagnostic products. The IVDR will apply after a five-year transition period and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products.

In the Medical Devices segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation, selection and qualification of a product design, completion of applicable clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., medical devices are classified as Class I, II, or III. Most of Abbott's medical device products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, medical devices are also categorized into different classes and the regulatory process, which has been governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) which replaces the existing directives in the EU for medical devices and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products. While the MDR was previously adopted to apply after a three year transition period, in 2020 the European Parliament postponed the date of application by one year.

Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some medical devices, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

Areas of Focus

In 2021 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon™, Duphaston™, Duphalac™ and Influvac™. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications. One example includes the launch of Abbott's quadrivalent influenza vaccination Influvac® Tetra in 12 markets and an expanded indication in 16 markets to cover children, adolescents and young adults from 3 to 17 years old.

Medical Devices — Abbott's research and development programs focus on:

- Cardiac Rhythm Management – Development of next-generation rhythm management technologies, including advanced communication capabilities and leadless pacing therapies.
- Heart Failure – Continued enhancements to Abbott's mechanical circulatory support and pulmonary artery pressure systems, including enhanced clinical performance and usability.
- Electrophysiology – Development of next-generation technologies in the areas of ablation, diagnostic, mapping, and visualization and recording.
- Vascular – Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- Structural Heart – Development of minimally-invasive transcatheter and surgical devices for the repair and replacement of heart valves and other structural heart conditions.
- Neuromodulation – Development of additional clinical evidence and next-generation technologies leveraging digital health to improve patient and physician engagement to treat chronic pain, movement disorders and other indications.
- Diabetes Care – Develop enhancements and additional indications for the FreeStyle Libre platform of continuous glucose monitoring products to help patients improve their ability to manage diabetes and for use beyond diabetes.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays, including a focus on unmet medical need, in various areas including infectious disease, cardiac care, metabolics, and oncology, as well as informatics solutions to help optimize diagnostics laboratory performance and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for infectious disease, cardiometabolic disease and toxicology.

In addition, the Diagnostics Divisions are pursuing the FDA's customary regulatory process for various COVID-19 tests for which an EUA was obtained in 2020.

Given the diversity of Abbott's business, its intention to remain a broad-based health care company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2020 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.0 percent of total Abbott sales in 2021. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

At December 31, 2020, goodwill recorded as a result of business combinations totaled $23.7 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $7.9 billion, $6.1 billion and $6.3 billion in 2020, 2019 and 2018, respectively. The increase in Net cash from operating activities in 2020 was primarily due to the favorable cash flow impact of higher segment operating earnings, lower payments related to interest, integration expenses, and restructuring actions, and the proceeds from a litigation settlement partially offset by an increased investment in working capital and higher income tax payments. The decrease in Net cash from operating activities in 2019 was primarily due to an increased investment in working capital, timing of pension contributions relative to 2018 and higher income tax payments, partially offset by the favorable cash flow impact of improved segment operating earnings and lower interest and acquisition-related expenses.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2020, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $400 million in 2020, $382 million in 2019 and $114 million in 2018 to defined benefit pension plans. Abbott expects pension funding of approximately $410 million in 2021 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2020, Abbott's long-term debt rating was A by Standard & Poor's Corporation and A3 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In 2020, financing activities related to the issuance and repayment of long-term debt included the following:

- On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.
- On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

As of December 31, 2020, Abbott's total debt is $18.7 billion.

In 2018 and 2019, Abbott committed to reducing its debt levels which had increased as part of the acquisitions of St. Jude Medical and Alere in 2017. In 2018, net repayments totaled approximately $8.3 billion of debt.

On February 24, 2019, Abbott redeemed the $500 million outstanding principal amount of its 2.80% Notes due 2020.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization superseded the board's previous authorization under which $700 million had not yet been redeemed. On December 19, 2019, Abbott redeemed the $2.850 billion outstanding principal amount of its 2.90% Notes due 2021. $2.15 billion of the 2019 $5 billion redemption authorization remains available as of December 31, 2020.

On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €1.180 billion of long-term debt. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.

On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

In total, these 2019 transactions resulted in the repayment of approximately of $1.6 billion of debt, net of borrowings.

In September 2014, the board of directors authorized the repurchase of up to $3.0 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 36.2 million shares at a cost of $1.666 billion in 2015, 10.4 million shares at a cost of $408 million in 2016, 1.9 million shares at a cost of $130 million in 2018, 6.3 million shares at a cost of $525 million in 2019, and 1.6 million shares at a cost of $173 million in 2020 for a total of approximately $2.9 billion. In October 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. The 2019 authorization is in addition to the approximately $100 million unused portion of the share repurchase program authorized in 2014.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to $3 billion. No shares have been issued under this authorization.

Abbott declared dividends of $1.53 per share in 2020 compared to $1.32 per share in 2019, an increase of approximately 16 percent. Dividends paid were $2.560 billion in 2020 compared to $2.270 billion in 2019. The year-over-year change in dividends paid primarily reflects the impact of the increase in the dividend rate.

Working Capital

Working capital was $8.5 billion at December 31, 2020 and $4.8 billion at December 31, 2019. The increase was due in large part to the higher level of cash and cash equivalents, which was due primarily to the increase in cash generated from operating activities, and the repayment of the current portion of long term debt after the issuance of new long term notes in 2020. Working capital also increased due to the higher levels of accounts receivable and inventory partially offset by an increase in accounts payable associated with the growth of the business.

Abbott monitors the credit worthiness of customers and establishes an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

Capital Expenditures

Capital expenditures of $2.2 billion in 2020, $1.6 billion in 2019 and $1.4 billion in 2018 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers. The 2020 increase in capital expenditures primarily reflects the building of capacity for the manufacture of COVID-19 diagnostics tests.

Contractual Obligations

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2020.

	Payments Due By Period				
(in millions)	Total	2021	2022-2023	2024-2025	2026 and Thereafter
Long-term debt, including current maturities	$18,490	$ 7	$3,203	$2,802	$12,478
Interest on debt obligations	9,011	596	1,152	1,024	6,239
Operating lease obligations	1,315	272	405	231	407
Purchase commitments (a)	4,757	4,192	478	77	10
Other long-term liabilities (b)	3,845	—	1,959	1,266	620
Total (c)	$37,418	$5,067	$7,197	$5,400	$19,754

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

(b) Other long-term liabilities include estimated payments for the transition tax under the TCJA, net of applicable credits.

(c) Net unrecognized tax benefits totaling approximately $740 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 15 — Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 14 — Post-employment Benefits.

Contingent Obligations

Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Legislative Issues

Abbott's primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors.

Recently Issued Accounting Standards

In December 2019, the FASB issued Accounting Standards Update (ASU) 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard becomes effective for Abbott in the first quarter of 2021. Adoption of this new standard will not have a material impact on Abbott's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

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 Item 1A, Risk Factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $20 million and $11 million as of December 31, 2020 and 2019, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2020 by approximately $4 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $366 million and $346 million as of December 31, 2020 and 2019, respectively. Changes in the fair value of these investments, as well as an offsetting change in the benefit obligation, are recorded in earnings.

Non-Publicly Traded Equity Securities

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $113 million and $158 million as of December 31, 2020 and 2019, respectively. No individual investment is recorded at a value in excess of $15 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Interest Rate Sensitive Financial Instruments

At December 31, 2020 and 2019, Abbott had interest rate hedge contracts totaling $2.9 billion to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. 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. The fair value of long-term debt at December 31, 2020 and 2019 amounted to $22.8 billion and $20.8 billion, respectively (average interest rates of 3.3% as of December 31, 2020 and 2019) with maturities through 2046. At December 31, 2020 and 2019, the fair value of current and long-term investment securities amounted to approximately $1.1 billion and $1.2 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values.

Foreign Currency Sensitive Financial Instruments

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 foreign currency 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 products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2020 and 2019, Abbott held $8.1 billion and $6.8 billion, respectively, of such contracts. Contracts held at December 31, 2020 will mature in 2021 or 2022 depending upon the contract. Contracts held at December 31, 2019 matured in 2020 or will mature in 2021 depending upon the contract.

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, 2020 and 2019, Abbott held $11.0 billion and $9.1 billion, respectively, of such contracts, which mature in the next 13 months.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $577 million and $546 million as of December 31, 2020 and December 31, 2019, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2020 and 2019:

	2020			2019		
(dollars in millions)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	$ 7,781	1.1821	$ (91)	$ 7,085	1.1189	$ 65
Chinese Yuan	2,401	6.4900	(99)	2,177	7.0216	4
Japanese Yen	1,589	105.3861	(20)	1,092	106.8530	13
All other currencies	7,369	n/a	(198)	5,532	n/a	(23)
Total	$19,140		$ (408)	$15,886		$ 59

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2020	2019	2018
Net Sales	$34,608	$31,904	$30,578
Cost of products sold, excluding amortization of intangible assets	15,003	13,231	12,706
Amortization of intangible assets	2,132	1,936	2,178
Research and development	2,420	2,440	2,300
Selling, general and administrative	9,696	9,765	9,744
Total Operating Cost and Expenses	29,251	27,372	26,928
Operating Earnings	5,357	4,532	3,650
Interest expense	546	670	826
Interest income	(46)	(94)	(105)
Net foreign exchange (gain) loss	(8)	7	28
Debt extinguishment costs	—	63	167
Other (income) expense, net	(103)	(191)	(139)
Earnings from Continuing Operations Before Taxes	4,968	4,077	2,873
Taxes on Earnings from Continuing Operations	497	390	539
Earnings from Continuing Operations	4,471	3,687	2,334
Net Earnings from Discontinued Operations, net of taxes	24	—	34
Net Earnings	$ 4,495	$ 3,687	$ 2,368
Basic Earnings Per Common Share --			
Continuing Operations	$ 2.51	$ 2.07	$ 1.32
Discontinued Operations	0.01	—	0.02
Net Earnings	$ 2.52	$ 2.07	$ 1.34
Diluted Earnings Per Common Share --			
Continuing Operations	$ 2.49	$ 2.06	$ 1.31
Discontinued Operations	0.01	—	0.02
Net Earnings	$ 2.50	$ 2.06	$ 1.33
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,773	1,768	1,758
Dilutive Common Stock Options	13	13	12
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,786	1,781	1,770
Outstanding Common Stock Options Having No Dilutive Effect	9	61	—

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2020	2019	2018
Net Earnings	$ 4,495	$ 3,687	$ 2,368
Foreign currency translation gain (loss) adjustments	65	(12)	(1,460)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $(79) in 2020, $(238) in 2019 and $47 in 2018	(331)	(814)	132
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of $(87) in 2020, $(17) in 2019 and $50 in 2018	(215)	(53)	136
Other Comprehensive Income (Loss)	(481)	(879)	(1,192)
Comprehensive Income	$ 4,014	$ 2,808	$ 1,176
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$(4,859)	$(4,924)	$(4,912)
Net actuarial (losses) and prior service (cost) and credits	(3,871)	(3,540)	(2,726)
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(216)	(1)	52
Accumulated other comprehensive income (loss)	$(8,946)	$(8,465)	$(7,586)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

	Year Ended December 31		
	2020	**2019**	**2018**
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 4,495	$ 3,687	$ 2,368
Adjustments to reconcile earnings to net cash from operating activities -			
Depreciation	1,195	1,078	1,100
Amortization of intangible assets	2,132	1,936	2,178
Share-based compensation	546	519	477
Amortization of inventory step-up	—	—	32
Investing and financing losses, net	425	184	126
Loss on extinguishment of debt	—	63	167
Trade receivables	(924)	(275)	(190)
Inventories	(493)	(593)	(514)
Prepaid expenses and other assets	(627)	(138)	23
Trade accounts payable and other liabilities	1,766	220	747
Income taxes	(614)	(545)	(214)
Net Cash From Operating Activities	7,901	6,136	6,300
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(2,177)	(1,638)	(1,394)
Acquisitions of businesses and technologies, net of cash acquired	(42)	(170)	(54)
Proceeds from business dispositions	58	48	48
Purchases of investment securities	(83)	(103)	(131)
Proceeds from sales of investment securities	10	21	73
Other	19	27	102
Net Cash From (Used in) Investing Activities	(2,215)	(1,815)	(1,356)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt, net and other	2	—	(26)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	1,281	1,842	4,009
Repayments of long-term debt and debt with maturities over 3 months	(1,333)	(3,441)	(12,433)
Purchases of common shares	(403)	(718)	(238)
Proceeds from stock options exercised	245	298	271
Dividends paid	(2,560)	(2,270)	(1,974)
Other	(11)	—	—
Net Cash From (Used in) Financing Activities	(2,779)	(4,289)	(10,391)
Effect of exchange rate changes on cash and cash equivalents	71	(16)	(116)
Net Increase (Decrease) in Cash and Cash Equivalents	2,978	16	(5,563)
Cash and Cash Equivalents, Beginning of Year	3,860	3,844	9,407
Cash and Cash Equivalents, End of Year	$ 6,838	$ 3,860	$ 3,844
Supplemental Cash Flow Information:			
Income taxes paid	$ 970	$ 930	$ 740
Interest paid	549	677	845

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	$ 6,838	$ 3,860
Investments, primarily bank time deposits and U.S. treasury bills	310	280
Trade receivables, less allowances of — 2020: $460; 2019: $384	6,414	5,425
Inventories:		
Finished products	3,030	2,784
Work in process	712	560
Materials	1,270	972
Total inventories	5,012	4,316
Other prepaid expenses and receivables	1,867	1,786
Total current assets	20,441	15,667
Investments	821	883
Property and equipment, at cost:		
Land	538	519
Buildings	4,014	3,702
Equipment	12,884	11,468
Construction in progress	1,357	1,110
	18,793	16,799
Less: accumulated depreciation and amortization	9,764	8,761
Net property and equipment	9,029	8,038
Intangible assets, net of amortization	14,784	17,025
Goodwill	23,744	23,195
Deferred income taxes and other assets	3,729	3,079
	$ 72,548	$ 67,887

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2020	2019
Liabilities and Shareholders' Investment		
Current liabilities:		
Short-term borrowings	$ 213	$ 201
Trade accounts payable	3,946	3,252
Salaries, wages and commissions	1,416	1,237
Other accrued liabilities	5,165	4,035
Dividends payable	798	635
Income taxes payable	362	226
Current portion of long-term debt	7	1,277
Total current liabilities	11,907	10,863
Long-term debt	18,527	16,661
Post-employment obligations and other long-term liabilities	9,111	9,062
Commitments and contingencies		
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: 2020: 1,981,156,896; 2019: 1,976,855,085	24,145	23,853
Common shares held in treasury, at cost — Shares: 2020: 209,926,622; 2019: 214,351,838	(10,042)	(10,147)
Earnings employed in the business	27,627	25,847
Accumulated other comprehensive income (loss)	(8,946)	(8,465)
Total Abbott Shareholders' Investment	32,784	31,088
Noncontrolling interests in subsidiaries	219	213
Total Shareholders' Investment	33,003	31,301
	$ 72,548	$ 67,887

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

	Year Ended December 31		
	2020	2019	2018
Common Shares:			
Beginning of Year			
Shares: 2020: 1,976,855,085; 2019: 1,971,189,465; 2018: 1,965,908,188	$ 23,853	$ 23,512	$ 23,206
Issued under incentive stock programs			
Shares: 2020: 4,301,811; 2019: 5,665,620; 2018: 5,281,277	181	209	163
Share-based compensation	548	521	479
Issuance of restricted stock awards	(437)	(389)	(336)
End of Year			
Shares: 2020: 1,981,156,896; 2019: 1,976,855,085; 2018: 1,971,189,465	$ 24,145	$ 23,853	$ 23,512
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2020: 214,351,838; 2019: 215,570,043; 2018: 222,305,719	$(10,147)	$ (9,962)	$(10,225)
Issued under incentive stock programs			
Shares: 2020: 6,290,757; 2019: 7,796,030; 2018: 8,870,735	298	361	408
Purchased			
Shares: 2020: 1,865,541; 2019: 6,577,825; 2018: 2,135,059	(193)	(546)	(145)
End of Year			
Shares: 2020: 209,926,622; 2019: 214,351,838; 2018: 215,570,043	$(10,042)	$(10,147)	$ (9,962)
Earnings Employed in the Business:			
Beginning of Year	$ 25,847	$ 24,560	$ 23,978
Impact of adoption of new accounting standards	(5)	—	351
Net earnings	4,495	3,687	2,368
Cash dividends declared on common shares (per share — 2020: $1.53; 2019: $1.32; 2018: $1.16)	(2,722)	(2,343)	(2,047)
Effect of common and treasury share transactions	12	(57)	(90)
End of Year	$ 27,627	$ 25,847	$ 24,560
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (8,465)	$ (7,586)	$ (6,062)
Impact of adoption of new accounting standards	—	—	(332)
Other comprehensive income (loss)	(481)	(879)	(1,192)
End of Year	$ (8,946)	$ (8,465)	$ (7,586)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 213	$ 198	$ 201
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	6	15	(3)
End of Year	$ 219	$ 213	$ 198

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 — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

USE OF ESTIMATES — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates, income taxes, pension and other post-employment benefits, valuation of intangible assets, litigation, derivative financial instruments, and inventory and accounts receivable exposures.

FOREIGN CURRENCY TRANSLATION — The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

REVENUE RECOGNITION — Revenue from product sales is recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act (TCJA), or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. Abbott treats the GILTI tax as a period expense and provides for the tax in the year that the tax is incurred. Interest and penalties on income tax obligations are included in taxes on earnings.

EARNINGS PER SHARE — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities.

Earnings from Continuing Operations allocated to common shares in 2020, 2019 and 2018 were $4.449 billion, $3.666 billion and $2.320 billion, respectively. Net earnings allocated to common shares in 2020, 2019 and 2018 were $4.473 billion, $3.666 billion and $2.353 billion, respectively.

Note 1 — Summary of Significant Accounting Policies (Continued)

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

FAIR VALUE MEASUREMENTS — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

SHARE-BASED COMPENSATION — The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

LITIGATION — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, “Contingencies.” Under ASC No. 450, loss contingency provisions are recorded for probable losses at management’s best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of $277 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. 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 interest income.

TRADE RECEIVABLE VALUATIONS — Accounts receivable are stated at the net amount expected to be collected. The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

Note 1 — Summary of Significant Accounting Policies (Continued)

PROPERTY AND EQUIPMENT — 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
Equipment	2 to 20 years

PRODUCT LIABILITY — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Product liability losses are self-insured.

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D) — The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical or medical device products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over the remaining useful life. Collaborations are not significant.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 – New Accounting Standards

Recently Adopted Accounting Standards

In February 2018, the FASB issued Accounting Standards Update (ASU) 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

Note 2 — New Accounting Standards (Continued)

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

Recent Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard becomes effective for Abbott in the first quarter of 2021. Adoption of this new standard will not have a material impact on Abbott's consolidated financial statements.

Note 3 — Revenue

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

Note 3 — Revenue (Continued)

The following tables provide detail by sales category:

	2020			2019			2018		
(in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Established Pharmaceutical Products —									
Key Emerging Markets	$ —	$ 3,209	$ 3,209	$ —	$ 3,392	$ 3,392	$ —	$ 3,363	$ 3,363
Other	—	1,094	1,094	—	1,094	1,094	—	1,059	1,059
Total	—	4,303	4,303	—	4,486	4,486	—	4,422	4,422
Nutritionals —									
Pediatric Nutritionals	1,987	2,140	4,127	1,879	2,282	4,161	1,843	2,254	4,097
Adult Nutritionals	1,292	2,228	3,520	1,231	2,017	3,248	1,232	1,900	3,132
Total	3,279	4,368	7,647	3,110	4,299	7,409	3,075	4,154	7,229
Diagnostics —									
Core Laboratory	1,166	3,309	4,475	1,086	3,570	4,656	985	3,401	4,386
Molecular	621	817	1,438	149	293	442	152	332	484
Point of Care	369	147	516	438	123	561	432	121	553
Rapid Diagnostics	2,618	1,758	4,376	1,214	840	2,054	1,148	924	2,072
Total	4,774	6,031	10,805	2,887	4,826	7,713	2,717	4,778	7,495
Medical Devices —									
Rhythm Management	903	1,011	1,914	1,057	1,087	2,144	1,105	1,093	2,198
Electrophysiology	660	918	1,578	742	979	1,721	678	883	1,561
Heart Failure	547	193	740	574	195	769	467	179	646
Vascular	853	1,486	2,339	1,047	1,803	2,850	1,126	1,803	2,929
Structural Heart	540	707	1,247	616	784	1,400	488	751	1,239
Neuromodulation	564	138	702	660	171	831	690	174	864
Diabetes Care	864	2,403	3,267	678	1,846	2,524	457	1,476	1,933
Total	4,931	6,856	11,787	5,374	6,865	12,239	5,011	6,359	11,370
Other	38	28	66	27	30	57	36	26	62
Total	$13,022	$21,586	$34,608	$11,398	$20,506	$31,904	$10,839	$19,739	$30,578

Abbott recognizes revenue from product sales upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. For maintenance agreements that provide service beyond Abbott's standard warranty and other service agreements, revenue is recognized ratably over the contract term. A time-based measure of progress appropriately reflects the transfer of services to the customer. Payment terms between Abbott and its customers vary by the type of customer, country of sale, and the products or services offered. The term between invoicing and the payment due date is not significant.

Note 3 — Revenue (Continued)

Management exercises judgment in estimating variable consideration. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Abbott provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities.

Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Remaining Performance Obligations

As of December 31, 2020, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $3.8 billion in the Diagnostic Products segment and approximately $430 million in the Medical Devices segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 17 percent over the subsequent 12 months and the remainder thereafter.

These performance obligations primarily reflect the future sale of reagents/consumables in contracts with minimum purchase obligations, extended warranty or service obligations related to previously sold equipment, and remote monitoring services related to previously implanted devices. Abbott has applied the practical expedient described in ASC 606-10-50-14 and has not included remaining performance obligations related to contracts with original expected durations of one year or less in the amounts above.

Assets Recognized for Costs to Obtain a Contract with a Customer

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2020 and 2019 were not significant.

Note 3 — Revenue (Continued)

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2020 and 2019 were not significant.

Other Contract Assets and Liabilities

Abbott discloses Trade receivables separately in the Consolidated Balance Sheet at the net amount expected to be collected. Contract assets primarily relate to Abbott's conditional right to consideration for work completed but not billed at the reporting date. Contract assets at the beginning and end of the period, as well as the changes in the balance, were not significant.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. Abbott's contract liabilities arise primarily in the Medical Devices reportable segment when payment is received upfront for various multi-period extended service arrangements. Changes in the contract liabilities during the period are as follows:

(in millions)		
Contract Liabilities		
Balance at December 31, 2018	$	259
Unearned revenue from cash received during the period		411
Revenue recognized related to contract liability balance		(376)
Balance at December 31, 2019		294
Unearned revenue from cash received during the period		505
Revenue recognized related to contract liability balance		(394)
Balance at December 31, 2020	$	405

Note 4 — Discontinued Operations and Business Dispositions

The net earnings of discontinued operations include income tax benefits of $24 million in 2020 and $39 million in 2018. The 2020 tax benefits primarily relate to the resolution of various tax positions related to Abbott's developed markets branded generic pharmaceuticals business which was sold to Mylan Inc. (Mylan) in 2015. The tax positions relate to years prior to the sale to Mylan. The 2018 tax benefits primarily relate to the resolution of various tax positions related to the operations of AbbVie Inc. (AbbVie) for years prior to the

separation. Abbott completed the separation of AbbVie, which was formed to hold Abbott's research-based proprietary pharmaceuticals business, in January 2013. Abbott retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation.

Note 5 — Supplemental Financial Information

Other (income) expense, net, for 2020, 2019 and 2018 includes approximately $205 million, $225 million and $160 million of income, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans.

Note 5 — Supplemental Financial Information (Continued)

The following summarizes the activity for 2020 related to the allowance for doubtful accounts as of December 31, 2020:

(in millions)	
Allowance for Doubtful Accounts	
Balance at December 31, 2019	$ 228
Impact of adopting ASU 2016-13	7
Provisions/ charges to income	88
Amounts charged off and other deductions	(35)
Balance at December 31, 2020	$ 288

The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

The detail of various balance sheet components is as follows:

(in millions)	December 31, 2020	December 31, 2019
Long-term Investments:		
Equity securities	$ 776	$ 836
Other	45	47
Total	$ 821	$ 883

Abbott's long-term investments as of December 31, 2020 declined versus the balance as of December 31, 2019 due primarily to investment impairments totaling approximately $115 million, recorded in Other (income) expense, net within the Consolidated Statement of Earnings, which was partially offset by approximately $35 million of additional investments during 2020.

Abbott's equity securities as of December 31, 2020 and December 31, 2019, include $366 million and $346 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2020 with a carrying value of $277 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $113 million that do not have a readily determinable fair value. The $113 million carrying value is net of an approximately $60 million impairment of an investment in 2020 for which Abbott had previously recorded an unrealized gain of approximately $50 million in 2018.

Note 5 — Supplemental Financial Information (Continued)

In 2019, in conjunction with the acquisition of Cephea Valve Technologies, Inc., Abbott acquired a research & development (R&D) asset valued at $102 million, which was immediately expensed. The $102 million of expense was recorded in the R&D line of Abbott's Consolidated Statement of Earnings.

(in millions)	December 31, 2020	December 31, 2019
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 316	$ 212
Accrued other rebates (a)	805	655
All other	4,044	3,168
Total	$ 5,165	$ 4,035

(a) Accrued wholesaler chargeback rebates of $178 million and $175 million at December 31, 2020 and 2019, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	December 31, 2020	December 31, 2019
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 3,119	$ 2,817
Deferred income taxes	1,406	1,546
Operating lease liabilities	902	755
All other (b)	3,684	3,944
Total	$ 9,111	$ 9,062

(b) Includes approximately $740 million and $580 million of net unrecognized tax benefits in 2020 and 2019, respectively.

Note 6 — Accumulated Other Comprehensive Income (Loss)

The components of the changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows:

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial (Losses) and Prior Service (Costs) and Credits	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2018	$ (4,912)	$ (2,726)	$ 52	$ (7,586)
Other comprehensive income (loss) before reclassifications	(12)	(719)	2	(729)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	(95)	(55)	(150)
Net current period other comprehensive income (loss)	(12)	(814)	(53)	(879)
Balance at December 31, 2019	(4,924)	(3,540)	(1)	(8,465)
Other comprehensive income (loss) before reclassifications	65	(523)	(140)	(598)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	192	(75)	117
	65	(331)	(215)	(481)

Net current period other comprehensive income (loss)				
Balance at December 31, 2020	$ (4,859)	$ (3,871)	$ (216)	$ (8,946)

(a) (Income) loss amounts reclassified from accumulated other comprehensive income related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost – see Note 14 for additional information.

Note 7 — Goodwill and Intangible Assets

The total amount of goodwill reported was $23.7 billion at December 31, 2020 and $23.2 billion at December 31, 2019. Foreign currency translation adjustments increased goodwill by approximately $550 million in 2020 and decreased goodwill $103 million in 2019. The amount of goodwill related to reportable segments at December 31, 2020 was $3.0 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.8 billion for the Diagnostic Products segment, and $16.6 billion for the Medical Devices segment. There was no reduction of goodwill relating to impairments in 2020 and 2019.

The gross amount of amortizable intangible assets, primarily product rights and technology, was $27.8 billion and $27.6 billion as of December 31, 2020 and 2019, respectively, and accumulated amortization was $14.2 billion and $11.9 billion as of December 31, 2020 and 2019, respectively. Foreign currency translation adjustments increased intangible assets by approximately $67 million in 2020 and decreased intangible assets by $71 million in 2019. In 2020, asset impairments related to the Medical Devices segment decreased intangible assets by $148 million. The impairment was recorded in the Cost of products sold, excluding amortization of intangible assets line of Abbott's Consolidated Statement of Earnings. The estimated annual amortization expense for intangible assets recorded at December 31, 2020 is approximately $2.0 billion in 2021, $2.0 billion in 2022, $1.9 billion in 2023, $1.9 billion in 2024 and $1.9 billion in 2025. Amortizable intangible assets are amortized over 2 to 20 years.

Note 7 — Goodwill and Intangible Assets (Continued)

Indefinite-lived intangible assets, which relate to IPR&D acquired in a business combination, were approximately $1.2 billion and $1.3 billion at December 31, 2020 and 2019, respectively. The decrease is due to an IPR&D intangible asset related to the Medical Devices segment that became amortizable in 2020 and a $55 million impairment of an IPR&D intangible asset related to the Medical Devices segment that was recorded in the Research and development line of Abbott's Consolidated Statement of Earnings in 2020.

Note 8 — Restructuring Plans

From 2017 to 2020, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2017, the accrued balance associated with these actions was $68 million. From 2018 to 2020, Abbott recorded employee related severance and other charges totaling approximately $137 million, comprised of $13 million in 2020, $72 million in 2019 and $52 million in 2018. Approximately $30 million was recorded in Cost of products sold, approximately $15 million was recorded in Research and development, and approximately $92 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2020, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $25 million and primarily represent severance obligations.

From 2016 to 2020, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $36 million in 2020, $66 million in 2019 and $28 million in 2018. Approximately $6 million in 2020, $16 million in 2019 and $10 million in 2018 are recorded in Cost of products sold, approximately $2 million in 2020, $28 million in 2019 and $2 million in 2018 are recorded in Research and development, and approximately $28 million in 2020, $22 million in 2019 and $16 million in 2018 are recorded in Selling, general and administrative expense.

The following summarizes the activity for these restructurings:

(in millions)	
Accrued balance at December 31, 2017	$ 119
Restructuring charges	28
Payments and other adjustments	(77)
Accrued balance at December 31, 2018	70
Restructuring charges	66
Payments and other adjustments	(57)
Accrued balance at December 31, 2019	79
Restructuring charges	36
Payments and other adjustments	(45)
Accrued balance at December 31, 2020	$ 70

Note 9 — Incentive Stock Program

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2020, Abbott granted 4,015,420 stock options, 569,961 restricted stock awards and 5,239,575 restricted stock units under this program.

Note 9 — Incentive Stock Program (Continued)

Under Abbott's stock incentive 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 generally vest equally over three years. Restricted stock awards generally vest over 3 years, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of options and restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2020, approximately 113 million shares remained available for future issuance.

The following table summarizes stock option activity for the year ended December 31, 2020 and the outstanding stock options as of December 31, 2020.

(intrinsic values in millions)	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	29,877,915	$ 48.78	6.2	$ 1,138
Granted	4,015,420	87.84		
Exercised	(4,872,830)	39.62		
Lapsed	(100,619)	75.22		
Outstanding at December 31, 2020	28,919,886	$ 55.65	6.0	$ 1,557
Exercisable at December 31, 2020	20,390,745	$ 46.16	5.0	$ 1,291

The following table summarizes restricted stock awards and units activity for the year ended December 31, 2020.

	Share Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	14,463,314	$65.51
Granted	5,809,536	87.83
Vested	(7,167,631)	60.67
Forfeited	(612,351)	75.16
Outstanding at December 31, 2020	12,492,868	$78.19

The fair market value of restricted stock awards and units vested in 2020, 2019 and 2018 was $631 million, $588 million and $458 million, respectively.

The total intrinsic value of options exercised in 2020, 2019 and 2018 was $279 million, $315 million and $249 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2020 amounted to approximately $407 million, which is expected to be recognized over the next three years.

Note 9 — Incentive Stock Program (Continued)

Total non-cash stock compensation expense charged against income from continuing operations in 2020, 2019 and 2018 for share-based plans totaled approximately $546 million, $519 million and $477 million, respectively, and the tax benefit recognized was approximately $200 million, $197 million and $185 million, respectively. Stock compensation cost capitalized as part of inventory is not significant.

The table below summarizes the fair value of an option granted in 2020, 2019 and 2018 and the assumptions included in the Black-Scholes option-pricing model used to estimate the fair value:

	2020	2019	2018
Fair value	$14.39	$14.50	$10.93
Risk-free interest rate	1.3 %	2.5 %	2.7 %
Average life of options (years)	6.0	6.0	6.0
Volatility	19.4 %	19.8 %	19.0 %
Dividend yield	1.6 %	1.7 %	1.9 %

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 10 — Debt and Lines of Credit

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

(in millions)	2020	2019
0.00% Notes, due 2020	$ —	$ 1,272
2.55% Notes, due 2022	750	750
0.875% Notes, due 2023	1,398	1,272
3.40% Notes, due 2023	1,050	1,050
5-year term loan due 2024	577	546
0.10% Notes, due 2024	724	658
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,398	1,272
3.75% Notes, due 2026	1,700	1,700
0.375% Notes, due 2027	724	658
1.15% Notes, due 2028	650	—
1.40% Notes, due 2030	650	—
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(87)	(90)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	144	(6)
Total carrying amount of long-term debt	18,534	17,938
Less: Current portion	7	1,277
Total long-term portion	$18,527	$16,661

On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.

On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

Note 10 — Debt and Lines of Credit (Continued)

In 2019, Abbott's long-term borrowings and debt issuance included the following:

- On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed an offering of €1.180 billion of long-term debt consisting of €590 million of 0.10% Notes due 2024 and €590 million of 0.375% Notes due 2027. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.
- On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

In 2019, Abbott's repayment of long-term debt included the following:

- $0.500 billion outstanding principal amount of its 2.80% Notes due 2020 – redeemed on February 24, 2019
- $2.850 billion principal amount of its 2.9% Notes due 2021 – redeemed on December 19, 2019. Abbott incurred a charge of $63 million related to the early repayment of this debt.

The 2.80% Notes were redeemed under the board of directors' 2018 bond redemption authorization discussed below. The 2.9% Notes were redeemed under a bond redemption authorization approved by the board of directors in September 2019 for the early redemption of up to $5 billion of outstanding long-term notes. The 2019 bond redemption authorization superseded the board's 2018 authorization. $2.15 billion of the $5 billion authorization remans available as of December 31, 2020.

On January 5, 2018, Abbott repaid $2.8 billion under a 5-year term loan agreement and $1.15 billion of borrowings under its lines of credit.

On February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. 2018 redemptions under this authorization include the following:

- $0.947 billion principal amount of its 5.125% Notes due 2019 – redeemed on March 22, 2018
- $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019 – redeemed on March 22, 2018
- $1.300 billion of the $1.795 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on June 22, 2018
- $0.495 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on September 28, 2018

Abbott incurred a net charge of $14 million related to the March 22, 2018 early repayment of debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt consisting of €1.140 billion of non-interest bearing Senior Notes due 2020 at 99.727% of par value; €1.140 billion of 0.875% Senior Notes due 2023 at 99.912% of par value; and €1.140 billion of 1.50% Senior Notes due 2026 at 99.723% of par value. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

Note 10 — Debt and Lines of Credit (Continued)

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. These amounts were in addition to the $5 billion authorization in 2018 discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

Principal payments required on long-term debt outstanding at December 31, 2020 are $7 million in 2021, $753 million in 2022, $2.4 billion in 2023, $1.3 billion in 2024, $1.5 billion in 2025 and $12.5 billion in 2026 and thereafter.

At December 31, 2020, Abbott's long-term debt rating was A by Standard & Poor's Corporation and A3 by Moody's. Abbott's weighted-average interest rate on short-term borrowings was 0.4%at December 31, 2020, 2019 and 2018.

Note 11 — Leases

Leases where Abbott is the Lessee

Abbott has entered into operating leases as the lessee for office space, manufacturing facilities, R&D laboratories, warehouses, vehicles and equipment. Finance leases are not significant. Abbott's operating leases generally have remaining lease terms of 1 to 10 years. Some leases include options to extend beyond the original lease term, generally up to 10 years and some include options to terminate early. These options have been included in the determination of the lease liability when it is reasonably certain that the option will be exercised.

For all of its asset classes, Abbott elected the practical expedient allowed under FASB ASC No. 842, "Leases" to account for each lease component (e.g., the right to use office space) and the associated non-lease components (e.g., maintenance services) as a single lease component. Abbott also elected the short-term lease accounting policy for all asset classes; therefore, Abbott is not recognizing a lease liability or right of use (ROU) asset for any lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that Abbott is reasonably certain to exercise.

As Abbott's leases typically do not provide an implicit rate, the interest rate used to determine the present value of the payments under each lease typically reflects Abbott's incremental borrowing rate based on information available at the lease commencement date. Abbott's incremental borrowing rates at January 1, 2019 were used for operating leases that commenced prior to January 1, 2019 when ASC 842 was adopted.

Note 11 — Leases (Continued)

The following table provides information related to Abbott's operating leases:

(in millions, except weighted averages)	2020	2019
Operating lease cost (a)	$329	$314
Cash paid for amounts included in the measurement of operating lease liabilities	264	253
ROU assets arising from entering into new operating lease obligations	396	310
Weighted average remaining lease term at December 31 (in years)	8	8
Weighted average discount rate at December 31	3.2 %	3.9 %

(a) Includes short-term lease expense and variable lease costs, which were immaterial in the years ended December 31, 2020 and 2019.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2020 were as follows:

(in millions)	
2021	$ 272
2022	228
2023	177
2024	131
2025	100
Thereafter	407
Total future minimum lease payments – undiscounted	1,315
Less: imputed interest	(172)
Present value of lease liabilities	$ 1,143

The following table summarizes the amounts and location of operating lease ROU assets and lease liabilities:

(in millions)	December 31, 2020	December 31, 2019	Balance Sheet Caption
Operating Lease - ROU Asset	$ 1,101	$ 934	Deferred income taxes and other assets
Operating Lease Liability:			
Current	$ 241	$ 205	Other accrued liabilities
Non-current	902	755	Post-employment obligations and other long-term liabilities
Total Liability	$ 1,143	$ 960	

Note 11 — Leases (Continued)

Leases where Abbott is the Lessor

Certain assets, primarily diagnostics instruments, are leased to customers under contractual arrangements that typically include an operating or sales-type lease as well as performance obligations for reagents and other consumables. Sales-type leases are not significant. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where instruments are provided under operating lease arrangements, some portion or the entire lease revenue may be variable and subject to subsequent non-lease component (e.g., reagent) sales. The allocation of revenue between the lease and non-lease components is based on stand-alone selling prices. Operating lease revenue represented less than 3 percent of Abbott's total net sales in the years ended December 31, 2020 and 2019.

Assets related to operating leases are reported within Net property and equipment on the Consolidated Balance Sheet. The original cost and the net book value of such assets were $3.3 billion and $1.4 billion, respectively, as of December 31, 2020 and $2.8 billion and $1.2 billion, respectively, as of December 31, 2019.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates primarily for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling $8.1 billion at December 31, 2020, and $6.8 billion at December 31, 2019, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2020 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and 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. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2020 and 2019, Abbott held gross notional amounts of $11.0 billion and $9.1 billion, respectively, of such foreign currency forward exchange contracts.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $577 million and $546 million as of December 31, 2020 and December 31, 2019, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2020 and 2019, to manage its exposure to changes in the fair value of fixed-rate debt. 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. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

In October 2018, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. As a part of the

unwinding, Abbott paid approximately $90 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2018.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value — Assets			Fair Value — Liabilities		
(in millions)	2020	2019	Balance Sheet Caption	2020	2019	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$210	$ 48	Deferred income taxes and other assets	$ —	$ —	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	30	110	Other prepaid expenses and receivables	433	56	Other accrued liabilities
Others not designated as hedges	60	38	Other prepaid expenses and receivables	65	33	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	577	546	Long-term debt
	$300	$196		$1,075	$635	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2020	2019	2018	2020	2019	2018	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$(207)	$ 9	$73	$102	$ 79	$(114)	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(31)	4	—	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	162	148	(97)	Interest expense

A loss of $171 million, a gain of $75 million and a loss of $100 million were recognized in 2020, 2019 and 2018, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps 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. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

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. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2020		2019	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 776	$ 776	$ 836	$ 836
Other	45	45	47	47
Total Long-term debt	(18,534)	(22,809)	(17,938)	(20,772)
Foreign Currency Forward Exchange Contracts:				
Receivable position	90	90	148	148
(Payable) position	(498)	(498)	(89)	(89)
Interest Rate Hedge Contracts:				
Receivable position	210	210	48	48
(Payable) position	—	—	—	—

The fair value of the debt was determined based on significant other observable inputs, including current interest rates.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

		Basis of Fair Value Measurement		
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2020:				
Equity securities	$ 386	$ 386	$ —	$ —
Interest rate swap derivative financial instruments	210	—	210	—
Foreign currency forward exchange contracts	90	—	90	—
Total Assets	$ 686	$ 386	$ 300	$ —
Fair value of hedged long-term debt	$ 3,049	$ —	$ 3,049	$ —
Foreign currency forward exchange contracts	498	—	498	—
Contingent consideration related to business combinations	68	—	—	68
Total Liabilities	$ 3,615	$ —	$ 3,547	$ 68
December 31, 2019:				
Equity securities	$ 357	$ 357	$ —	$ —
Interest rate swap derivative financial instruments	48	—	48	—
Foreign currency forward exchange contracts	148	—	148	—
Total Assets	$ 553	$ 357	$ 196	$ —
Fair value of hedged long-term debt	$ 2,890	$ —	$ 2,890	$ —
Foreign currency forward exchange contracts	89	—	89	—
Contingent consideration related to business combinations	68	—	—	68
Total Liabilities	$ 3,047	$ —	$ 2,979	$ 68

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

Contingent consideration relates to businesses acquired by Abbott. The fair value of the contingent consideration was determined based on an independent appraisal adjusted for the time value of money and other changes in fair value. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately $200 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

Note 13 — Litigation and Environmental Matters

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. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $90 million to $120 million. The recorded accrual balance at December 31, 2020 for these proceedings and exposures was approximately $105 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 14 — Post-Employment Benefits

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	
(in millions)	2020	2019	2020	2019
Projected benefit obligations, January 1	$11,238	$ 9,093	$ 1,556	$ 1,292
Service cost — benefits earned during the year	336	250	46	23
Interest cost on projected benefit obligations	300	337	42	52
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	1,305	1,856	(5)	228
Benefits paid	(327)	(302)	(73)	(76)
Other, including foreign currency translation	277	4	1	37
Projected benefit obligations, December 31	$13,129	$11,238	$ 1,567	$ 1,556
Plan assets at fair value, January 1	$10,277	$ 8,553	$ 360	$ 351
Actual return (loss) on plan assets	1,463	1,622	46	65
Company contributions	400	382	12	12
Benefits paid	(327)	(302)	(65)	(68)
Other, including foreign currency translation	205	22	—	—
Plan assets at fair value, December 31	$12,018	$10,277	$ 353	$ 360
Projected benefit obligations greater than plan assets, December 31	$ (1,111)	$ (961)	$(1,214)	$(1,196)
Long-term assets	$ 824	$ 687	$ —	$ —
Short-term liabilities	(29)	(26)	(1)	(1)
Long-term liabilities	(1,906)	(1,622)	(1,213)	(1,195)
Net liability	$ (1,111)	$ (961)	$(1,214)	$(1,196)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 4,559	$ 4,131	$ 486	$ 529
Prior service cost (credits)	(5)	(2)	(67)	(95)
Total	$ 4,554	$ 4,129	$ 419	$ 434

Note 14 — Post-Employment Benefits (Continued)

The $1.3 billion and $1.9 billion of defined benefit plan losses in 2020 and 2019, respectively, that increased the projected benefit obligations in those years, primarily reflect the year-over-year decline in the discount rates used to measure the obligations. The projected benefit obligations for non-U.S. defined benefit plans were $4.1 billion and $3.3 billion at December 31, 2020 and 2019, respectively. The accumulated benefit obligations for all defined benefit plans were $11.9 billion and $10.2 billion at December 31, 2020 and 2019, respectively.

For plans where the projected benefit obligations exceeded plan assets at December 31, 2020 and 2019, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2020	2019
Projected benefit obligation	$8,946	$7,585
Fair value of plan assets	7,010	5,936

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2020 and 2019, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2020	2019
Accumulated benefit obligation	$2,459	$1,985
Projected benefit obligation	2,773	2,266
Fair value of plan assets	965	821

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2020	2019	2018	2020	2019	2018
Service cost — benefits earned during the year	$ 336	$ 250	$ 293	$ 46	$ 23	$ 26
Interest cost on projected benefit obligations	300	337	308	42	52	48
Expected return on plans' assets	(770)	(710)	(680)	(28)	(27)	(33)
Amortization of actuarial losses	255	132	205	21	22	33
Amortization of prior service cost (credits)	1	1	1	(28)	(32)	(45)
Total net cost	$ 122	$ 10	$ 127	$ 53	$ 38	$ 29

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of $611 million for defined benefit plans and a gain of $23 million for medical and dental plans in 2020, net actuarial losses of $944 million for defined benefit plans and a loss of $190 million for medical and dental plans in 2019; net actuarial losses of $86 million for defined benefit plans and a gain of $53 million for medical and dental plans in 2018. The net actuarial losses in 2020 and 2019 are primarily due to the year-over-year decline in discount rates partially offset by the impact of actual asset returns in excess of expected returns in each of the period.

Note 14 — Post-Employment Benefits (Continued)

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2020	2019	2018
Discount rate	2.3 %	3.0 %	4.0 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.3 %

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2020	2019	2018
Discount rate	3.0 %	4.0 %	3.4 %
Expected return on plan assets	7.5 %	7.5 %	7.7 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.4 %

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2020	2019	2018
Health care cost trend rate assumed for the next year	8 %	9 %	9 %
Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2025	2025	2025

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date.

Note 14 — Post-Employment Benefits (Continued)

The following table summarizes the bases used to measure the defined benefit and medical and dental plan assets at fair value:

		Basis of Fair Value Measurement			
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at NAV (j)
December 31, 2020:					
Equities:					
U.S. large cap (a)	$ 3,410	$2,202	$ —	$ —	$ 1,208
U.S. mid and small cap (b)	775	721	—	3	51
International (c)	2,654	542	—	—	2,112
Fixed income securities:					
U.S. government securities (d)	475	23	289	—	163
Corporate debt instruments (e)	1,408	425	908	—	75
Non-U.S. government securities (f)	523	16	—	—	507
Other (g)	503	159	72	—	272
Absolute return funds (h)	1,618	462	—	—	1,156
Cash and Cash Equivalents	281	77	—	—	204
Other (i)	724	9	—	—	715
	$ 12,371	$4,636	$ 1,269	$ 3	$ 6,463
December 31, 2019:					
Equities:					
U.S. large cap (a)	$ 2,873	$1,647	$ —	$ —	$ 1,226
U.S. mid and small cap (b)	648	548	4	2	94
International (c)	2,202	464	—	—	1,738
Fixed income securities:					
U.S. government securities (d)	562	52	357	—	153
Corporate debt instruments (e)	1,266	362	724	—	180
Non-U.S. government securities (f)	445	3	2	—	440
Other (g)	320	69	27	—	224
Absolute return funds (h)	1,557	424	—	—	1,133
Cash and Cash Equivalents	182	84	—	—	98
Other (i)	582	8	—	1	573
	$ 10,637	$3,661	$ 1,114	$ 3	$ 5,859

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Japan and Eurozone government bonds.

(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.

(h)

Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

Note 14 — Post-Employment Benefits (Continued)

(i) Primarily investments in private funds, such as private equity, private credit, private real estate and private energy funds.

(j) Investments measured at fair value using the net asset value (NAV) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2020 and 2019. Fixed income securities in a common collective trust or a registered investment company are valued at the NAV provided by the fund administrator. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2020 and 2019. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 90 days. For approximately $245 million and $110 million of the absolute return funds, redemptions are subject to a 33 percent gate and a 25 percent gate, respectively, and $60 million is subject to a lock until 2022. Investments in the private funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2021 to 2030. Abbott's unfunded commitment in these funds was $523 million and $579 million as of December 31, 2020 and 2019, respectively.

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $400 million in 2020 and $382 million in 2019 to defined pension plans. Abbott expects to contribute approximately $410 million to its pension plans in 2021.

Note 14 — Post-Employment Benefits (Continued)

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2021	$ 340	$ 72
2022	355	73
2023	373	74
2024	395	75
2025	415	76
2026 to 2030	2,410	394

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $164 million in 2020, $158 million in 2019 and $146 million in 2018. The 2018 contributions include amounts related to participants of the St. Jude Medical Retirement Plan which was terminated in January 2018.

Note 15 — Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax associated with the 2017 TCJA. The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion. The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2020, the remaining balance of Abbott's transition tax obligation is approximately $805 million, which will be paid over the next six years as allowed by the TCJA.

In 2019, taxes on earnings from continuing operations included an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2018, Abbott also recorded $130 million of additional tax expense related to the TCJA; the $130 million reflected a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled. There are numerous other income tax jurisdictions for

which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

Note 15 — Taxes on Earnings from Continuing Operations (Continued)

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

(in millions)	2020	2019	2018
Earnings From Continuing Operations Before Taxes:			
Domestic	$1,588	$ 889	$ (430)
Foreign	3,380	3,188	3,303
Total	$4,968	$4,077	$2,873

(in millions)	2020	2019	2018
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 39	$ 291	$(812)
Foreign	566	590	606
Total current	605	881	(206)
Deferred:			
Domestic	(18)	(305)	832
Foreign	(90)	(186)	(87)
Total deferred	(108)	(491)	745
Total	$ 497	$ 390	$ 539

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

	2020	2019	2018
Statutory tax rate on earnings from continuing operations	21.0 %	21.0 %	21.0 %
Impact of foreign operations	(3.3)	(5.0)	(5.4)
Impact of TCJA and other related items	0.5	(2.1)	6.3
Foreign-derived intangible income benefit	(1.0)	(2.0)	(1.9)
Domestic impairment loss	(2.7)	—	(2.1)
Excess tax benefits related to stock compensation	(1.9)	(2.5)	(3.1)
Research tax credit	(1.0)	(1.2)	(1.8)
Resolution of certain tax positions pertaining to prior years	(2.8)	—	3.4
Intercompany restructurings and integration	0.5	—	—
State taxes, net of federal benefit	0.5	0.8	0.4
All other, net	0.2	0.6	2.0
Effective tax rate on earnings from continuing operations	10.0 %	9.6 %	18.8 %

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta.

Note 15 — Taxes on Earnings from Continuing Operations (Continued)

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2020	2019
Deferred tax assets:		
Compensation and employee benefits	$ 1,003	$ 982
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,383	2,378
Trade receivable reserves	196	190
Inventory reserves	146	110
Lease liabilities	259	209
Deferred intercompany profit	254	259
Total deferred tax assets before valuation allowance	4,241	4,128
Valuation allowance	(1,060)	(978)
Total deferred tax assets	3,181	3,150
Deferred tax liabilities:		
Depreciation	(297)	(219)
Right of Use lease assets	(251)	(209)
Other, primarily the excess of book basis over tax basis of intangible assets	(2,876)	(3,258)
Total deferred tax liabilities	(3,424)	(3,686)
Total net deferred tax assets (liabilities)	$ (243)	$ (536)

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	2020	2019
January 1	$1,175	$1,120
Increase due to current year tax positions	190	137
Increase due to prior year tax positions	97	75
Decrease due to prior year tax positions	(144)	(117)
Settlements	(27)	(32)
Lapse of statute	(81)	(8)
December 31	$1,210	$1,175

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.08 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $70 million to $430 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 16 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. 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:

Established Pharmaceutical Products—International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products—Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products—Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Rapid Diagnostics, Molecular Diagnostics and Point of Care divisions are aggregated and reported as the Diagnostic Products segment.

Medical Devices — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart, neuromodulation and diabetes care products. For segment reporting purposes, the Cardiac Rhythm Management, Electrophysiology and Heart Failure, Vascular, Neuromodulation, Structural Heart and Diabetes Care divisions are aggregated and reported as the Medical Devices segment.

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. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

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 (a)			Operating Earnings (a)		
(in millions)	2020	2019	2018	2020	2019	2018
Established Pharmaceutical Products	$ 4,303	$ 4,486	$ 4,422	$ 794	$ 904	$ 894
Nutritional Products	7,647	7,409	7,229	1,751	1,705	1,652
Diagnostic Products	10,805	7,713	7,495	3,725	1,912	1,868
Medical Devices	11,787	12,239	11,370	3,038	3,769	3,500
Total Reportable Segments	34,542	31,847	30,516	$9,308	$8,290	$7,914
Other	66	57	62			
Total	$34,608	$31,904	$30,578			

(a) Net sales and operating earnings were unfavorably affected by the impact of foreign exchange in 2020, 2019 and 2018.

Note 16 — Segment and Geographic Area Information (Continued)

(in millions)	2020	2019	2018
Total Reportable Segment Operating Earnings	$ 9,308	$ 8,290	$ 7,914
Corporate functions and benefit plan costs	(518)	(468)	(618)
Net interest expense	(500)	(576)	(721)
Loss on extinguishment of debt	—	(63)	(167)
Share-based compensation	(546)	(519)	(477)
Amortization of intangible assets	(2,132)	(1,936)	(2,178)
Other, net (b)	(644)	(651)	(880)
Earnings from Continuing Operations Before Taxes	$ 4,968	$ 4,077	$ 2,873

(b) Other, net includes integration costs associated with the acquisition of St. Jude Medical and Alere and restructuring charges in 2020, 2019 and 2018. Other, net in 2020 also includes costs related to asset impairments, partially offset by income from the settlement of litigation. Other, net in 2018 also includes inventory step-up amortization associated with the acquisition of Alere. Charges for restructuring actions and other cost reduction initiatives were approximately $125 million in 2020, $215 million in 2019 and $153 million in 2018.

	Depreciation			Additions to Property and Equipment			Total Assets		
(in millions)	2020	2019	2018	2020	2019	2018	2020	2019	2018
Established Pharmaceuticals	$ 88	$ 98	$ 92	$ 109	$ 109	$ 131	$ 2,888	$ 2,858	$ 2,664
Nutritionals	143	139	150	201	141	86	3,478	3,274	3,071
Diagnostics	488	403	397	1,263	726	609	7,696	5,235	4,464
Medical Devices	281	266	294	402	532	408	6,893	6,640	5,886
Total Reportable Segments	1,000	906	933	1,975	1,508	1,234	$20,955	$18,007	$16,085
Other	195	172	167	218	160	160			
Total	$1,195	$1,078	$1,100	$2,193	$1,668	$1,394			

(in millions)	2020	2019	2018
Total Reportable Segment Assets	$20,955	$18,007	$16,085
Cash and investments	7,969	5,023	4,983
Goodwill and intangible assets	38,528	40,220	42,196
All other	5,096	4,637	3,909
Total Assets	$72,548	$67,887	$67,173

Note 16 — Segment and Geographic Area Information (Continued)

(in millions)	Net Sales to External Customers (c) 2020	2019	2018
United States	$13,022	$11,398	$10,839
Germany	2,108	1,751	1,619
China	1,965	2,346	2,311
Japan	1,386	1,435	1,326
India	1,323	1,397	1,333
Switzerland	1,140	1,068	1,005
The Netherlands	1,084	975	930
All Other Countries	12,580	11,534	11,215
Consolidated	$34,608	$31,904	$30,578

(c) Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2020 and 2019, long-lived assets totaled $11.7 billion and $10.2 billion, respectively, and in the United States such assets totaled $6.1 billion and $5.1 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2020, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 84.

Robert B. Ford
President and Chief Executive Officer

Robert E. Funck, Jr.
Executive Vice President, Finance and Chief Financial Officer

Philip P. Boudreau
Vice President, Finance and Controller

February 19, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Income taxes – Unrecognized tax benefits
Description of the Matter	As described in Note 15 to the consolidated financial statements, unrecognized tax benefits were approximately $1.2 billion at December 31, 2020. Unrecognized tax benefits are assessed by management quarterly for identification and measurement, or more frequently if there are any indicators suggesting change in unrecognized tax benefits. Assessing tax positions involves judgement including interpreting tax laws of multiple jurisdictions and assumptions relevant to the measurement of an unrecognized tax benefit, including the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority. These judgements and assumptions can significantly affect unrecognized tax benefits.
How We Addressed the Matter in our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of unrecognized tax benefits, as well as its process for the assessment of events that may indicate a change in unrecognized tax benefits is warranted. For example, we tested controls over management's review of the completeness of identified unrecognized tax benefits, as well as controls over management's review of significant assumptions used

within the measurement of unrecognized tax benefits.

With the support of our tax professionals, among other audit procedures performed, we evaluated the reasonableness of management's judgement with respect to the interpretation of tax laws of multiple jurisdictions by reading and evaluating management's documentation, including relevant accounting policies, and by considering how tax law, including statutes, regulations and case law, affected management's judgments. We tested the completeness of management's assessment of the identification of unrecognized tax benefits and possible outcomes related to it including evaluation of technical merits of the unrecognized tax benefits. We also tested, with the support of our valuation specialists, appropriateness and consistency of management's methods and significant assumptions associated with the measurement of unrecognized tax benefits, including assessing the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Chicago, Illinois
February 19, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on Internal Control over Financial Reporting

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 19, 2021

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Robert B. Ford, and the Chief Financial Officer, Robert E. Funck, Jr., evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 81 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 84 hereof.

Changes in internal control over financial reporting. During the quarter ended December 31, 2020, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2021 Abbott Laboratories Proxy Statement. The 2021 Definitive Proxy Statement will be filed on or about March 12, 2021. Also incorporated herein by reference is the text found under the caption, "Information About Our Executive Officers" on pages 16 through 19 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2021 Proxy Statement under the headings "2020 Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2021 Definitive Proxy Statement will be filed on or about March 12, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*.

The following table presents information as of December 31, 2020 about our compensation plans under which Abbott common shares have been authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	28,034,365	$ 56.45	124,762,755
Equity compensation plans not approved by security holders	0	—	0
Total (1)(2)	28,034,365	$ 56.45	124,762,755

(1) (i) *Abbott Laboratories 2009 Incentive Stock Program*. Benefits under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program") include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition

awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

(ii) *Abbott Laboratories 2017 Incentive Stock Program*. Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

(iii) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees*. Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the

above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2020, an aggregate of 11,611,818 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

(2) Not included in the table: *St. Jude Medical, Inc. Plans*. In 2017, in connection with the acquisition of St. Jude Medical, Inc., options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) were assumed by Abbott and converted into Abbott options of substantially equivalent value. As of December 31, 2020, 885,521 options remained outstanding under these plans. These options have a weighted average purchase price of $30.46. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 9 entitled "Incentive Stock Program" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" and "Information Concerning Security Ownership" in the 2021 Proxy Statement. The 2021 Definitive Proxy Statement will be filed on or about March 12, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2021 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2021 Definitive Proxy Statement will be filed on or about March 12, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2021 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2021 Definitive Proxy Statement will be filed on or about March 12, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 42 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 of Abbott Laboratories:

(3) *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is set forth in Item 15(b) below.

(b) Exhibits filed.

10-K Exhibit Table Item No.		
3.1	*	Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
3.2	*	By-Laws of Abbott Laboratories, as amended and restated effective April 24, 2020, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated February 21, 2020.
4.1	*	Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
4.2	*	Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
4.3	*	Form of $1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.4	*	Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.5	*	Form of $1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.6	*	Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.

10-K Exhibit Table Item No.		
4.7	*	Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.8	*	Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.9	*	Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.10	*	Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.11	*	Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.12	*	Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.13	*	Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.14	*	Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.15	*	Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.16	*	Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.17	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2016 Annual Report on Form 10-K.
4.18	*	Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.19	*	Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.20	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.

10-K Exhibit Table Item No.		
4.21	†	Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.
4.22	†	Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
4.23	†	Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
4.24	†	Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.
4.25	*	Form of Seventh Supplemental Indenture between St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.3 to the Abbott Laboratories Registration Statement on Form S-4 dated February 21, 2017.
4.26	*	Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.27	*	First Supplemental Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and transfer agent, and Elavon Financial Services DAC, as registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.28	*	Second Supplemental Indenture dated November 19, 2019, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, as paying agent, transfer agent and registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019.
4.29	*	Form of 0.875% Note due 2023 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.30	*	Form of 1.500% Note due 2026 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.31	*	Form of 0.100% Note due 2024 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).
4.32	*	Form of 0.375% Note due 2027 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).

10-K Exhibit Table Item No.		
4.33	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 1.150% Notes due 2028 and 1.400% Notes due 2030, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020.
4.34	*	Form of 1.150% Notes due 2028, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K filed on June 24, 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020).
4.35	*	Form of 1.400% Notes due 2030, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K filed on June 24, 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated June 22, 2020).
		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.
4.36	*	Description of Registrant's Securities, filed as Exhibit 4.34 to the 2019 Abbott Laboratories Annual Report on Form 10-K).
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		Abbott Laboratories Deferred Compensation Plan, as amended.**
10.3	*	Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.4	*	Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.5	*	1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.6	*	1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.7	*	Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.8	*	Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.9	*	Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017).**
10.10	*	Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.11	*	Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**
10.12	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.13	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.14	*	Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.15	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.16	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.17	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.18	*	Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.19	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.20	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.21	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.22	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.23	*	Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.24	*	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.25	*	Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.26	*	Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.27	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.28	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.29	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.30	*	Form of Restricted Stock Unit Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.31	*	Form of Restricted Stock Unit Agreement for foreign employees (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.32	*	Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.33	*	Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.34	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.35	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.36	*	Form of Restricted Stock Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.37	*	Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.38	*	Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.39	*	Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.40	*	Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.41	*	Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.42	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.43	*	Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.44	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.45	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.46	*	Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.47	*	Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.48	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.49	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.50	*	Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.51	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.52	*	Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.53	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.54	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.55	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.56		Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.57		Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.58		Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.59		Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.60		Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.61		Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.62		Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.63		Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program.**
10.64	*	Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.**
10.65	*	Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2020, filed as Exhibit 10.74 to the 2018 Abbott Laboratories Annual Report on Form 10-K.**
10.66		Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2022.**

10.67 * Form of Time Sharing Agreement between Abbott Laboratories Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.**

10-K Exhibit Table Item No.		
10.68		Form of Time Sharing Agreement between Abbott Laboratories Inc. and Robert B. Ford.**
10.69	†	St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.**
10.70	†	Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.**
10.71	†	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.72	†	Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.73	*	Management Savings Plan, as amended and restated, filed as Exhibit 10.75 to the 2019 Abbott Laboratories Annual Report on Form 10-K).**
10.74		Abbott Overseas Managers Pension Plan, as amended and restated.**
10.75		Five Year Credit Agreement, dated as of November 12, 2020, among Abbott Laboratories, as borrower, various financial institutions, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent.
21		Subsidiaries of Abbott Laboratories.
23.1		Consent of Independent Registered Public Accounting Firm.
31.1		Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2		Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
		Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.
32.1		Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2		Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

10-K Exhibit Table Item No.	
101	The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 19, 2021, formatted in Inline XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).

* 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.

† Incorporated herein by reference. Commission file number 1-12441.

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

(c) Financial Statement Schedule filed (page 101*).*

ITEM 16. FORM 10-K SUMMARY

None.

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/ ROBERT B. FORD
Robert B. Ford
President and Chief Executive Officer

Date: February 19, 2021

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 19, 2021 in the capacities indicated below.

/s/ ROBERT B. FORD
Robert B. Ford
President and Chief Executive Officer,
and Director of Abbott Laboratories
(principal executive officer)

/s/ ROBERT E. FUNCK, JR.
Robert E. Funck, Jr.
Executive Vice President, Finance
and Chief Financial Officer
(principal financial officer)

/s/ PHILIP P. BOUDREAU
Philip P. Boudreau
Vice President, Finance and Controller
(principal accounting officer)

/s/ MILES D. WHITE
Miles D. White
Executive Chairman of the Board

/s/ ROBERT J. ALPERN
Robert J. Alpern, M.D.
Director of Abbott Laboratories

/s/ ROXANNE S. AUSTIN
Roxanne S. Austin
Director of Abbott Laboratories

/s/ SALLY E. BLOUNT
Sally E. Blount, Ph.D.
Director of Abbott Laboratories

/s/ MICHELLE A. KUMBIER
Michelle A. Kumbier
Director of Abbott Laboratories

/s/ EDWARD M. LIDDY
Edward M. Liddy
Director of Abbott Laboratories

/s/ DARREN W. MCDEW
Darren W. McDew
Director of Abbott Laboratories

/s/ NANCY MCKINSTRY
Nancy McKinstry
Director of Abbott Laboratories

/s/ PHEBE N. NOVAKOVIC
Phebe N. Novakovic
Director of Abbott Laboratories

/s/ WILLIAM A. OSBORN
William A. Osborn
Director of Abbott Laboratories

/s/ DANIEL J. STARKS
Daniel J. Starks
Director of Abbott Laboratories

/s/ JOHN G. STRATTON
John G. Stratton
Director of Abbott
Laboratories

/s/ GLENN F. TILTON
Glenn F. Tilton
Director of Abbott
Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2020	$ 384	$ 187	$ (111)	$ 460
2019	314	137	(68)	384
2018	294	110	(90)	314

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2020 and 2019, for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 19, 2021 (included elsewhere in this Annual Report on Form 10-K). Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K (the "schedule"). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Chicago, Illinois
February 19, 2021

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

FORM 10-K

(MARK ONE)

☒	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
☐	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation
100 Abbott Park Road
Abbott Park, Illinois 60064-6400

36-0698440
(I.R.S. employer identification number)
(224) 667-6100
(telephone number)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	ABT	New York Stock Exchange Chicago Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the 1,723,621,480 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 28, 2019), was $144,956,566,468. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2020: 1,763,433,243

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2020 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 13, 2020.

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.

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

On October 3, 2017, Abbott completed the acquisition of Alere Inc., a diagnostic device and service provider, for an aggregate consideration of approximately $4.5 billion in cash.

On February 27, 2017, Abbott completed the sale of Abbott Medical Optics, its vision care business, to Johnson & Johnson for $4.325 billion in cash.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc., a global medical device manufacturer. Based on the closing Abbott share price on January 4, 2017, the aggregate implied value of the consideration paid in connection with the acquisition was approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon™, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal™ and Dicetel™, for the treatment of irritable bowel syndrome or biliary spasm; Heptral™, Transmetil™, and Samyr™, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac™, for regulation of the physiological rhythm of the colon;
- women's health products, including Duphaston™, for the treatment of many different gynecological disorders; and Femoston™, a hormone replacement therapy for postmenopausal women;
- cardiovascular and metabolic products, including Lipanthyl™ and TriCor™, for the treatment of dyslipidemia; Teveten™ and Teveten™ Plus, for the treatment of essential hypertension, and Physiotens™, for the treatment of hypertension; and Synthroid™, for the treatment of hypothyroidism;
- pain and central nervous system products, including Serc™, for the treatment of Ménière's disease and vestibular vertigo; Brufen™, for the treatment of pain, fever, and inflammation; and Sevedol™, for the treatment of severe migraines; and
- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin™, Klacid™, and Klaricid™); and Influvac™, an influenza vaccine.

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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.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building strong brands with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors may increase competitive pressures.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion, including the Alinity® family of instruments, ARCHITECT®, ABBOTT PRISM®, and Cell-Dyn®, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, and therapeutic drug monitoring;
- molecular diagnostics systems, including Alinity® m and the m2000™ instruments that automate the extraction, purification, and preparation of DNA and RNA from patient samples, and detect and measure infectious agents including HIV, HBV, HCV, HPV, and CT/NG/TV/MG; and the Vysis® FISH product line of genomic-based tests;
- point of care systems, including the i-STAT® and next-generation i-STAT® Alinity® and cartridges for blood analysis;
- rapid diagnostics systems in the area of infectious diseases, including influenza, HIV, HCV, and tropical diseases such as malaria and dengue fever; molecular point-of-care testing for HIV, including the m-PIMA™ HIV-1/2 Viral Load Test, and for influenza A & B, RSV and strep A, including the ID NOW™ rapid molecular system; cardiometabolic testing, including Afinion® and Cholestech™ platforms and tests; a toxicology business for drug and alcohol testing; and remote patient monitoring and consumer self-testing; and
- informatics and automation solutions for use in laboratories, including laboratory automation systems, the RALS point of care solution, and AlinIQ™, a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

- various forms of prepared infant formula and follow-on formula, including Similac®*, Similac Pro-Advance®*, Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive®*, Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac®*, Similac® NeoSure®, Similac® Organic, Similac® Special Care®,

Similac Total Comfort®*, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain™, Grow™, Similac En Mei Li™, and Eleva™;

- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure® Max Protein, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound®, Pedialyte® and Zone Perfect®; and
- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®.

* These products are available with 2'-FL HMO (Human Milk Oligosaccharide) in several markets.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain™, Grow™, Eleva™, PediaSure®, PediaSure SideKicks®, Pedialyte®, Ensure®, Zone Perfect®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets where appropriate.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Medical Devices

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, and diabetes care products for people with diabetes, as well as neuromodulation devices for the management of chronic pain and movement disorders. Medical devices are manufactured, marketed and sold worldwide. In the United States, depending upon the product, medical devices are generally marketed and sold directly to wholesalers, hospitals, ambulatory surgery centers, physicians' offices, and distributors 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.

The principal products included in the Medical Devices segment are:

- rhythm management products, including Assurity MRI® and Endurity MRI® pacemaker systems; Ellipse® and Fortify Assura® implantable cardioverter defibrillators and Quadra Assura MP® implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint® Pacing technology; and Confirm Rx® implantable cardiac monitor;
- electrophysiology products, including the TactiCath® family of ablation catheters and FlexAbility® irrigated ablation catheters; Ampere® RF ablation generator; EnSite Precision® cardiac mapping system; and the Advisor® HD Grid mapping catheter;
- heart failure related products, including the HeartMate™ left ventricular device family and the CardioMEMS® HF System pulmonary artery sensor, a heart failure monitoring system;
- vascular products, including the XIENCE™ family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE® and Perclose ProGlide® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal II® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/Emboshield NAV6®, carotid stent systems; and the OPTIS® integrated system with the Dragonfly OPTIS® imaging catheter and PressureWire® fractional flow reserve measurement systems;
- structural heart products, including MitraClip®, a percutaneous mitral valve repair system; Trifecta® Valve with Glide™ Technology, a surgical tissue heart valve;

Portico® transcatheter aortic heart valve; Regent™ mechanical heart valve; AMPLATZER® PFO occluders; and Tendyne® Transcatheter Mitral Valve Implantation (TMVI) system;

- continuous glucose and blood glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand such as the FreeStyle Libre® system; and
- neuromodulation products, including spinal cord stimulators Proclaim® Elite and Proclaim® XR Recharge-free implantable pulse generators (IPG) and Prodigy MRI® IPG, each with BurstDR® stimulation, and Proclaim® DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the Infinity® Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

These products are subject to competition in technological innovation, price, convenience of use, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

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 countries of interest to Abbott. Abbott owns or has licenses 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 4. These, and various patents which expire during the period 2020 to 2040, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

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 2019 were not material and are not expected to be material in 2020.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation 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 approximately 107,000 people as of December 31, 2019.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration (FDA) and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Administration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's laboratory facilities and home monitoring services, which provide services, related products and medical devices to consumers, are subject to additional laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. In the United States, Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations and significant changes thereto (such as the introduction of the Medical Device Regulation and the In Vitro Diagnostic Medical Device Regulation in the European Union) substantially increase the time, difficulty, and costs incurred in developing, obtaining and maintaining approval to market, and marketing newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's

products for the foreseeable future. In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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 the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Other payment methodology changes have been proposed and implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act establishes a new payment system for clinical laboratory tests, which became effective on January 1, 2018.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the Affordable Care Act), imposed an excise tax on Abbott and other medical device manufacturers and importers. The excise tax was suspended from January 1, 2016 to December 31, 2019 and was repealed as of January 1, 2020 by the Further Consolidated Appropriations Act of 2020.

The Affordable Care Act also includes provisions known as the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. In October 2018, the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act significantly expanded the types of healthcare providers for which reporting is required, beginning with reports filed in 2022. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes or implementation of new health care legislation could result in significant changes to health care systems. In the United States, this could include potential modification or repeal of all or parts of the Affordable Care Act.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information and financial information), is increasing. For example, the European Union, various other countries, and various U.S. states (e.g., California) have enacted stricter data protection laws that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices. In addition, certain countries have issued or are considering “data localization” laws, which limit companies’ ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott’s nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the manufacture, quality assurance requirements, marketing authorization processes, post-market surveillance requirements, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect the timing and expense associated with bringing health care products or services to market, access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission (the Commission). These reports and other information are also available, free of charge, at www.sec.gov.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (*www.abbottinvestor.com*).

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the FDA and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug, medical device, or diagnostic product can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

Changes in the health care regulatory environment may adversely affect Abbott's business.

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to our products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

Abbott depends on sophisticated information technology systems and maintains protected personal data, and a cyber attack or other breach affecting these information technology systems or protected data could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised or stolen. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott also collects, manages and processes protected personal data, including protected health information, in connection with certain medical products and service offerings. Abbott is subject to certain regional and local data protection laws that prohibit or restrict the transfer of protected data across country borders. For additional information concerning data privacy and security regulation, see the discussion in "Regulation" under Item 1, "Business." A breach of protected personal information could result in adverse consequences, including regulatory inquiries or litigation, increased costs and expenses, reputational damage, lost revenue, and fines or penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott

relies or that related product issues will not arise in the future. Any significant attack or other disruption on Abbott's systems or products could have a material adverse effect on Abbott's business.

Abbott has significant indebtedness, which could adversely affect its business, including decreasing its business flexibility.

As of December 31, 2019, Abbott's consolidated indebtedness was approximately $18 billion. This consolidated indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit ratings. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other companies, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A risk of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences,

changing industry or regulatory standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under

development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from its competitors' products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a lot or batch of product, those products may have to be discarded. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. Any of these events could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other lots, batches or products. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for or injury to patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2019 made up approximately 64 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to

mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review — Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2019 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 13 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2019 made up approximately 64 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

- differing local product preferences and product requirements;
- trade protection measures, including tariffs, import or export licensing requirements, and changes to international trade agreements;
- difficulty in establishing, staffing, and managing operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including sovereign debt issues;
- restrictions on local currency conversion and/or cash extraction;
- price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;
- inflation, recession, and fluctuations in interest rates;
- diminished protection of intellectual property; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling, source and use laws, and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;

- changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;
- changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;
- changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; widespread outbreaks of infectious diseases; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;
- changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;
- changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and
- legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other unknown or future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2019, Abbott owned or leased properties totaling approximately 42 million square feet, of which approximately 70% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 92 manufacturing facilities globally. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Medical Devices	27
Diagnostic Products	23
Established Pharmaceutical Products	28
Nutritional Products	14
Worldwide Total	92

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries, including China, Colombia, India, Singapore, Spain, and the United Kingdom.

There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations. 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 resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Executive officers of Abbott are elected annually by the board of directors. Each executive 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 executive officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott.

Abbott's executive officers, their ages as of February 21, 2020, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any executive officers or directors.

Miles D. White will step down as Chief Executive Officer on March 31, 2020. The board of directors appointed Mr. White as Executive Chairman and Robert B. Ford as President and Chief Executive Officer, each effective March 31, 2020. Brian B. Yoor will retire as an officer of Abbott, effective February 29, 2020. The board of directors appointed Robert E. Funck, Jr. as Executive Vice President, Finance and Chief Financial Officer and Philip P. Boudreau as Vice President, Finance and Controller, each effective March 1, 2020.

Miles D. White, 64

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

Elected Corporate Officer — 1993.

Robert B. Ford, 46

2018 to present — President and Chief Operating Officer, and Director since 2019.

2015 to 2018 — Executive Vice President, Medical Devices.

2014 to 2015 — Senior Vice President, Diabetes Care.

Elected Corporate Officer — 2008.

Hubert L. Allen, 54

2013 to present — Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer — 2012.

John M. Capek, 58

2015 to present — Executive Vice President, Ventures.

2007 to 2015 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2006.

Lisa D. Earnhardt, 50

2019 to present — Executive Vice President, Medical Devices.

2008 to 2019 — President, CEO, and Director, Intersect ENT (a medical technology company focused on developing treatments for ear, nose and throat conditions).

Elected Corporate Officer — 2019.

John F. Ginascol, 61

2019 to present — Executive Vice President, Core Diagnostics.

2008 to 2019 — Vice President, Nutrition, Supply Chain.

Elected Corporate Officer — 2008.

Andrew H. Lane, 49

2017 to present — Executive Vice President, Established Pharmaceuticals.

2015 to 2017 — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2015 — Divisional Vice President, Established Pharmaceuticals, Asia Pacific.

Elected Corporate Officer — 2015.

Mary K. Moreland, 53

2019 to present — Executive Vice President, Human Resources.

2013 to 2019 — Divisional Vice President, Compensation, Benefits and HR M&A.

Elected Corporate Officer — 2019.

Daniel Salvadori, 41

2017 to present — Executive Vice President, Nutritional Products.

2014 to 2017 — Senior Vice President, Established Pharmaceuticals, Latin America.

Elected Corporate Officer — 2014.

Andrea Wainer, 51

2019 to present — Executive Vice President, Rapid and Molecular Diagnostics.

2015 to 2019 — Vice President, Molecular Diagnostics.

Elected Corporate Officer — 2015.

Brian B. Yoor, 50

2017 to present — Executive Vice President, Finance and Chief Financial Officer.

2015 to 2017 — Senior Vice President, Finance and Chief Financial Officer.

2013 to 2015 — Vice President, Investor Relations.

Elected Corporate Officer — 2013.

Roger M. Bird, 63

2015 to present — Senior Vice President, U.S. Nutrition.

2009 to 2015 — Divisional Vice President and General Manager, China and Hong Kong, Nutritional Products.

Elected Corporate Officer — 2015.

Charles R. Brynelsen, 63

2017 to present — Senior Vice President, Abbott Vascular.

2016 to 2017 — Managing Director, CB Business Advisors, Inc. (a medical device consulting firm).

2015 to 2016 — Senior Vice President and President, Medtronic Early Technologies, Medtronic plc (a global medical device company).

2013 to 2015 — President, Early Technologies, Covidien plc (a global healthcare products company).

Elected Corporate Officer — 2017.

Jaime Contreras, 63

2013 to present — Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

Elected Corporate Officer — 2003.

Michael D. Dale, 60

2019 to present — Senior Vice President, Structural Heart.

2017 to 2019 — Vice President, Structural Heart.

2016 to 2017 — Divisional Vice President and General Manager, Structural Heart.

2014 to 2016 — President and Chief Executive Officer, GI Dynamics, Inc. (a medical device company focused on developing gastrointestinal therapies).

Elected Corporate Officer — 2017.

Robert E. Funck, Jr., 58

2018 to present — Senior Vice President, Finance and Controller.

2013 to 2018 — Vice President, Controller.

Elected Corporate Officer — 2005.

Sammy Karam, 58

2019 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2019 — Divisional Vice President, Global Marketing Commercial Execution, Established Pharmaceuticals.

Elected Corporate Officer — 2019.

Joseph Manning, 51

2017 to present — Senior Vice President, International Nutrition.

2015 to 2017 — Vice President, Nutrition, Asia Pacific.

2014 to 2015 — General Manager, Indonesia, Nutritional Products.

Elected Corporate Officer — 2015.

Michael J. Pederson, 58

2019 to present — Senior Vice President, Electrophysiology and Heart Failure.

2017 to 2019 — Senior Vice President, Cardiac Arrhythmias and Heart Failure.

2015 to 2017 — Divisional Vice President and General Manager, Abbott Electrophysiology.

2011 to 2015 — Chief Executive Officer, VytronUS, Inc. (a medical device company focused on developing electrophysiology technologies).

Elected Corporate Officer — 2017.

Christopher J. Scoggins, 50

2019 to present — Senior Vice President, Rapid Diagnostics.

2015 to 2019 — Vice President, Diabetes Care, Commercial Operations.

2011 to 2015 — Divisional Vice President, EMEA Commercial Operations, ADC.

Elected Corporate Officer — 2015.

Jared L. Watkin, 52

2015 to present — Senior Vice President, Diabetes Care.

2010 to 2015 — Divisional Vice President, Technical Operations, Diabetes Care.

Elected Corporate Officer — 2015.

Alejandro D. Wellisch, 45

2017 to present — Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

Elected Corporate Officer — 2017.

Randel W. Woodgrift, 58

2019 to present — Senior Vice President, CRM.

2017 to 2019 — Vice President, Global Operations, Cardiovascular and Neuromodulation.

2015 to 2017 — Vice President, Operations and R&D, Abbott Vascular.

Elected Corporate Officer — 2015.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange under the symbol "ABT." Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

Shareholders

There were 38,990 shareholders of record of Abbott common shares as of December 31, 2019.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2019.

If you have any questions, please contact your tax advisor.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2019 — October 31, 2019	2,675,000 (1)	$ 81.950	2,675,000	$ 3,576,018,444 (2)
November 1, 2019 — November 30, 2019	1,786,605 (1)	$ 82.928	1,786,605	$ 3,427,858,606 (2)
December 1, 2019 — December 31, 2019	1,844,839 (1)	$ 85.440	1,844,839	$ 3,270,234,923 (2)
Total	6,306,444 (1)	$ 83.248	6,306,444	$ 3,270,234,923 (2)

(1) These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On September 11, 2014, the board of directors authorized the repurchase of up to $3 billion of its common shares, from time to time (the "2014 Plan"). On October 11, 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott common shares, from time to time (the "2019 Plan"). The 2019 Plan is in addition to the unused portion of the 2014 Plan.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2019	2018	2017	2016	2015
Net sales	$31,904	$30,578	$27,390	$20,853	$20,405
Earnings from continuing operations	3,687	2,334	353	1,063	2,606
Net earnings	3,687	2,368	477	1,400	4,423
Basic earnings per common share from continuing operations	2.07	1.32	0.20	0.71	1.73
Basic earnings per common share	2.07	1.34	0.27	0.94	2.94
Diluted earnings per common share from continuing operations	2.06	1.31	0.20	0.71	1.72
Diluted earnings per common share	2.06	1.33	0.27	0.94	2.92
Total assets	67,887	67,173	76,250	52,666	41,247
					5,874

Long-term debt, including current portion	17,938	19,366	27,718	20,684	
Cash dividends declared per common share	1.32	1.16	1.075	1.045	0.98

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

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are medical devices, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 64 percent of consolidated net sales.

Over the last several years, Abbott proactively shaped the company with the strategic intent to deliver sustainable growth in all of its businesses. Significant steps over the last three years included:

- In January 2017, Abbott acquired St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately $23.6 billion. As part of the acquisition, Abbott also assumed, repaid or refinanced approximately $5.9 billion of St. Jude Medical's debt. The acquisition provided expanded opportunities for future growth and is an important part of the company's effort to develop a strong, diverse portfolio.
- In October 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for approximately $4.5 billion. As part of the acquisition, Abbott also tendered for Alere's preferred shares for a total value of approximately $0.7 billion and assumed and subsequently repaid approximately $3.0 billion of Alere's debt. The acquisition established Abbott as a leader in point of care testing, expanded Abbott's global diagnostics presence and provided access to new products, channels and geographies.
- In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash and recognized an after-tax gain of $728 million.

The increase in total sales over the last three years reflects both volume growth across Abbott's businesses and the 2017 acquisitions of St. Jude Medical and Alere. Volume growth reflects the introduction of new products as well as higher sales of existing products. Sales in emerging markets, which represent approximately 40 percent of total company sales, increased 8.2 percent in 2019 and 12.3 percent in 2018, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was positively impacted by margin improvements in various businesses, including Established Pharmaceutical Products, Diabetes Care, Rapid Diagnostics, and Structural Heart. A reduction in the costs associated with the recent business acquisitions also drove the improvement in operating margins from 2017 to 2019. In 2019, Abbott's operating margin increased by approximately 2 percentage points primarily due to lower intangible amortization expense and lower business integration and restructuring costs compared to 2018. In 2018, Abbott's operating margin increased by approximately 6 percentage points primarily due to operating margin improvement in various businesses and lower inventory step-up amortization and integration costs associated with the acquisitions.

Beginning in the fourth quarter of 2019, the results of the Diabetes Care business, which had previously been included in the non-reportable segment category, were aggregated with the results of the businesses in the Cardiovascular and Neuromodulation segment to comprise the Medical Devices reportable segment. Historic periods have been adjusted to reflect this change.

Excluding the impact of foreign exchange, sales in the Medical Devices segment increased 10.5 percent in 2019 and 9.0 percent in 2018. The sales increase in 2019 was driven primarily by higher Diabetes Care, Structural Heart, Electrophysiology and Heart Failure sales. The sales increase in 2018 was driven primarily by higher Diabetes Care, Structural Heart, Electrophysiology, and Neuromodulation sales.

In 2019, operating earnings for this segment increased 7.7 percent. The operating margin profile increased from 29.2 percent of sales in 2017 to 30.8 percent in 2019 primarily due to

sales volume growth and various cost improvement initiatives, partially offset by investment spending to drive the growth of new products.

In 2019, in the Medical Devices segment, product approvals from the U.S. Food and Drug Administration (FDA) included:

- the TactiCath® contact force ablation catheter, Sensor enabled™, which is designed to help physicians treat atrial fibrillation, a form of irregular heartbeat.
- a new, expanded indication for Abbott's MitraClip® heart valve repair device to treat clinically significant secondary mitral regurgitation (MR) as a result of underlying heart failure. This new indication expands the number of people with MR that can be treated with the MitraClip device.
- the next-generation version of the MitraClip device, which includes a new leaflet grasping enhancement, an expanded range of clip sizes and facilitation of procedure assessment in real time to offer doctors further options when treating mitral valve disease.
- the Proclaim XR recharge-free neurostimulation system for people living with chronic pain which works by using low doses of mild electrical pulses to change pain signals as they travel from the spinal cord to the brain.

In March 2019, Abbott announced new data from its MOMENTUM 3 clinical study, the largest randomized controlled trial to assess outcomes in patients receiving a heart pump to treat advanced heart failure, which demonstrated Abbott's HeartMate 3® Left Ventricular Assist Device (LVAD) improved survival and clinical outcomes in this patient population. In October 2018, the FDA approved HeartMate 3 as a destination (long-term use) therapy for patients living with advanced heart failure.

In December 2019, Abbott received CE Mark approval in Europe for its next-generation high-voltage implantable cardioverter defibrillator (ICD) and cardiac resynchronization therapy defibrillator (CRT-D) devices.

In January 2020, Abbott received CE Mark approval in Europe for its Tendyne Transcatheter Mitral Valve Implantation system for the treatment of significant MR in patients requiring a heart valve replacement who are not candidates for open-heart surgery or transcatheter mitral valve repair.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October 2017, as well as continued market penetration by the core laboratory business in the U.S. and internationally. Alere's results are included in Abbott's Diagnostic Products reportable segment from the date of acquisition. Worldwide diagnostic sales increased 5.9 percent in 2019 and 33.6 percent in 2018, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment increased 6.5 percent in 2018. The 2019 and 2018 growth includes the continued adoption by customers of Alinity®, which is Abbott's integrated family of next-generation diagnostic systems and solutions that are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results.

Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments and multiple assays for clinical chemistry and immunoassay diagnostics, respectively. Abbott has obtained regulatory approval for the "Alinity h" instrument for hematology in Europe and Japan. In 2019, Abbott continued the roll-out in Europe of its "Alinity s" blood and plasma screening system and received U.S. FDA approval for "Alinity s" and several testing assays. In 2019, Abbott also announced that it had obtained CE Mark for its "Alinity m" (molecular) diagnostics system and several testing assays.

In 2019, operating earnings for the Diagnostics segment increased 2.3 percent. The operating margin profile decreased from 26.1 percent of sales in 2017 to 24.8 percent in 2019 primarily due to dilution from the acquisition of Alere, the negative impact of foreign exchange, and costs to accelerate the roll-out of Alinity, partially offset by the continued focus on cost improvement.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by numerous new product introductions, including the roll-out of HMO in infant formula, that leveraged Abbott's strong brands. Sales were also positively affected by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets. In 2019, excluding the impact of foreign exchange, total adult nutrition sales increased 6.6 percent led by the continued growth of Ensure®, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand, across several countries, partially offset by the unfavorable impact of the discontinuation of a non-core product line in the U.S. In 2019, excluding the impact of foreign exchange, total pediatric nutrition sales increased 3.4 percent driven by the PediaSure® and Pedialyte® brands in the U.S. as well as infant and toddler product growth across several markets in Asia and Latin America, partially offset by challenging conditions in the Greater China market.

In 2018, excluding the impact of foreign exchange, the nutritional business experienced above-market growth in the worldwide pediatric business driven by the Similac® and Pedialyte brands in the U.S. as well as growth across several markets in Asia. Worldwide, adult nutrition sales increased in 2018 led by the growth of Ensure and Glucerna.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 7.3 percent in 2019 and 7.0 percent in 2018. The sales increase in 2019 was driven by growth in several geographies including China, Brazil, Russia and India. The sales increase in 2018 was driven by double-digit growth in India and China. Operating margins increased from 19.8 percent of sales in 2017 to 20.1 percent in 2019 primarily due to the continued focus on cost reduction initiatives, partially offset by the unfavorable impact of foreign exchange.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased from approximately $9.0 billion at December 31, 2015 to $27.9 billion at December 31, 2017. In 2018, Abbott repaid approximately $8.3 billion of debt, net of borrowings, bringing its total debt to $19.6 billion at December 31, 2018. In 2019, Abbott repaid approximately $1.6 billion of debt, net of borrowings, bringing its total debt to $18.1 billion at December 31, 2019.

Abbott declared dividends of $1.32 per share in 2019 compared to $1.16 per share in 2018, an increase of approximately 14 percent. Dividends paid totaled $2.270 billion in 2019 compared to $1.974 billion in 2018. The year-over-year change in the amount of dividends paid primarily reflects the increase in the dividend rate. In December 2019, Abbott increased the company's quarterly dividend by approximately 12.5 percent to $0.36 per share from $0.32 per share, effective with the dividend paid in February 2020.

In 2020, Abbott will focus on continuing to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the medical devices business, Abbott will continue to focus on expanding its market position in various areas including diabetes care, structural heart, electrophysiology, and heart failure. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of several new science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth of its portfolio in emerging markets.

Critical Accounting Policies

Sales Rebates — In 2019, approximately 44 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2019 are in the Nutritional Products and Diabetes Care businesses. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2019, 2018 and 2017 amounted to approximately $3.1 billion, $3.0 billion and $2.8 billion, respectively, or 19.1 percent, 19.0 percent and 20.5 percent of gross sales, respectively, based on gross sales of approximately $16.3 billion, $16.0 billion and $13.9 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $163 million in 2019. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $169 million, $175 million and $166 million for cash discounts in 2019, 2018 and 2017, respectively, and $192 million, $191 million and $204 million for returns in 2019, 2018 and 2017, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2019, Abbott had WIC business in 26 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere

consolidated group which are settled through 2015 and the former St. Jude Medical consolidated group which are settled through 2013. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2019, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of $4.1 billion and $434 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 15 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2019, goodwill amounted to $23.2 billion and net intangibles amounted to $17.0 billion. Amortization expense in continuing operations for intangible assets amounted to $1.9 billion in 2019, $2.2 billion in 2018 and $2.0 billion in 2017. There was no significant reduction of goodwill relating to impairments in 2019, 2018 and 2017.

Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $95 million to $130 million for its legal proceedings and environmental exposures. Accruals of approximately $110 million have been recorded at December 31, 2019 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

		Components of % Change			
	Total % Change	Business Acquisitions/ Divestitures	Price	Volume	Exchange
Total Net Sales					
2019 vs. 2018	4.3	—	0.2	7.3	(3.2)
2018 vs. 2017	11.6	4.9	(1.0)	8.1	(0.4)
Total U.S.					
2019 vs. 2018	5.2	—	(0.4)	5.6	—
2018 vs. 2017	12.1	8.0	(1.1)	5.2	—
Total International					
2019 vs. 2018	3.9	—	0.5	8.3	(4.9)
2018 vs. 2017	11.4	3.2	(1.0)	9.7	(0.5)
Established Pharmaceutical Products Segment					
2019 vs. 2018	1.4	—	3.0	4.3	(5.9)
2018 vs. 2017	3.2	—	2.2	4.8	(3.8)
Nutritional Products Segment					
2019 vs. 2018	2.5	—	0.9	3.9	(2.3)
2018 vs. 2017	4.4	—	0.2	4.7	(0.5)
Diagnostic Products Segment					
2019 vs. 2018	2.9	—	(0.5)	6.4	(3.0)
2018 vs. 2017	33.5	27.1	(2.0)	8.5	(0.1)
Medical Devices Segment					
2019 vs. 2018	7.6	—	(0.9)	11.4	(2.9)
2018 vs. 2017	10.1	—	(2.7)	11.7	1.1

Note: Diabetes Care sales, which had previously been reported in Other, are now included in the Medical Devices segment. Historic periods have been adjusted to reflect this change.

The increase in Total Net Sales in 2019 reflects volume growth across all of Abbott's segments. The increase in Total Net Sales in 2018 reflects the acquisition of Alere, as well as volume growth across all of Abbott's segments. The price declines related to the Medical Devices segment in 2019 and 2018 primarily reflect pricing pressures on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2019	2018	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,392	$3,363	1 %	(7)%	8 %
Other	1,094	1,059	3	(3)	6
Nutritionals —					
International Pediatric Nutritionals	2,282	2,254	1	(4)	5
U.S. Pediatric Nutritionals	1,879	1,843	2	—	2
International Adult Nutritionals	2,017	1,900	6	(5)	11
U.S. Adult Nutritionals	1,231	1,232	—	—	—
Diagnostics —					
Core Laboratory	4,656	4,386	6	(4)	10
Molecular	442	484	(9)	(3)	(6)
Point of Care	561	553	2	—	2
Rapid Diagnostics	2,054	2,072	(1)	(2)	1
Medical Devices —					
Rhythm Management	2,144	2,198	(3)	(3)	—
Electrophysiology	1,721	1,561	10	(3)	13
Heart Failure	769	646	19	(1)	20
Vascular (a)	2,850	2,929	(3)	(3)	—
Structural Heart	1,400	1,239	13	(3)	16
Neuromodulation	831	864	(4)	(2)	(2)
Diabetes Care	2,524	1,933	31	(5)	36
(a) Vascular Product Lines:					
Coronary and Endovascular	2,740	2,778	(1)	(2)	1

(dollars in millions)	2018	2017	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,363	$3,307	2 %	(5)%	7 %
Other	1,059	980	8	2	6
Nutritionals —					
International Pediatric Nutritionals	2,254	2,112	7	—	7
U.S. Pediatric Nutritionals	1,843	1,777	4	—	4
International Adult Nutritionals	1,900	1,782	7	(1)	8
U.S. Adult Nutritionals	1,232	1,254	(2)	—	(2)
Diagnostics —					
Core Laboratory	4,386	4,063	8	—	8
Molecular	484	463	5	1	4
Point of Care	553	550	—	—	—
Rapid Diagnostics	2,072	540	n/m	n/m	n/m
Medical Devices —					
Rhythm Management	2,198	2,132	3	1	2
Electrophysiology	1,561	1,353	15	1	14
Heart Failure	646	643	—	—	—
Vascular (a)	2,929	2,892	1	1	—
Structural Heart	1,239	1,083	14	1	13
Neuromodulation	864	808	7	—	7
Diabetes Care	1,933	1,414	37	2	35
(a) Vascular Product Lines:					
Coronary and Endovascular	2,778	2,727	2	1	1

n/m = percent change is not meaningful.

Note: Insertable Cardiac Monitor (ICM) sales, which had previously been reported in Electrophysiology, are now included in Rhythm Management. Historic periods have been adjusted to reflect this change.

In order to compute results excluding the impact of exchange rates, current year U.S. dollar sales are multiplied or divided, as appropriate, by the current year average foreign exchange rates and then those amounts are multiplied or divided, as appropriate, by the prior year average foreign exchange rates.

Total Established Pharmaceutical Products sales increased 7.3 percent in 2019 and 7.0 percent in 2018, excluding the unfavorable impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 7.9 percent in 2019 due to growth in several geographies including China, Brazil, Russia and India. In 2018, excluding the impact of foreign exchange, total sales in these key emerging markets increased 7.4 percent as sales in India and China experienced double-digit growth. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 5.6 percent in 2019 and 5.8 percent in 2018.

Total Nutritional Products sales increased 4.8 percent in 2019 and 4.9 percent in 2018, excluding the impact of foreign exchange. In 2019, the 4.6 percent increase in International Pediatric Nutritional sales, excluding the effect of foreign exchange, was driven by growth across Abbott's portfolio, including Similac and PediaSure in various countries in Asia and Latin America and Pedialyte in Latin America. This growth was partially offset by challenging market dynamics in the Greater China infant category. The 7.2 percent increase in 2018 International Pediatric Nutritional sales, excluding the effect of foreign exchange, was driven primarily by growth in Asia and Latin America. In the U.S. Pediatric Nutritional business, the 1.9 percent increase in 2019 sales reflects growth in Pedialyte and PediaSure. 2018 U.S. Pediatric Nutritional sales increased 3.7 percent primarily due to above-market performance in Abbott's infant and toddler brands, including Similac and Pedialyte.

In the International Adult Nutritional business, the 10.9 percent increase in 2019 sales, excluding the effect of foreign exchange, reflects continued growth of Ensure, Abbott's market-leading complete and balanced nutrition brand, and Glucerna, Abbott's market-leading diabetes-specific nutrition brand in several countries. In 2018, the 8.0 percent sales increase in the International Adult Nutritional business, excluding the effect of foreign exchange, was led by growth of Ensure and Glucerna in Asia and Latin America. In 2019, U.S. Adult Nutritional sales were unchanged from 2018 due to the impact of Abbott's discontinuation of a non-core product line during the third quarter of 2018 that was offset by growth in other areas of the business. In 2018, the 1.7 percent decrease in U.S. Adult Nutritional was also primarily driven by the wind down of this non-core product line.

Total Diagnostic Products sales increased 5.9 percent in 2019 and 33.6 percent in 2018, excluding the impact of foreign exchange. The sales increase in 2019 was driven by above-market growth in Core Laboratory in the U.S. and internationally, where Abbott is achieving continued adoption of its Alinity family of diagnostic instruments. In July 2019, Abbott received U.S. FDA approval for its "Alinity s" blood and plasma screening system and several testing assays. The 6.3 percent decrease in 2019 Molecular sales, excluding the effect of foreign exchange, reflects the negative impact of lower non-governmental organization purchases in Africa. In March 2019, Abbott announced that it obtained CE Mark for its "Alinity m" molecular diagnostics system and several testing assays. In Rapid Diagnostics, sales growth in 2019 in various areas, including infectious disease testing in developed markets and cardio-metabolic testing, was mostly offset by lower than expected infectious disease testing sales in Africa.

In 2018, the increase in total Diagnostic Products sales included the acquisition of Alere, which was completed on October 3, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment in 2018 increased 6.5 percent. The 2018 increase in sales was primarily driven by above-market growth in Core Laboratory in the U.S. and internationally. In 2018, Abbott accelerated the roll out of its Alinity systems for Core Laboratory in Europe.

Excluding the effect of foreign exchange, total Medical Devices sales grew 10.5 percent and 9.0 percent in 2019 and 2018, respectively. The 2019 sales increase was driven by double-digit growth in Diabetes Care, Structural Heart, Electrophysiology and Heart Failure. The 2018 sales increase was driven by growth in several areas, including double-digit growth in Diabetes Care, Electrophysiology and Structural Heart.

The 2019 and 2018 growth in Diabetes Care revenue was driven by continued growth of FreeStyle Libre, Abbott's continuous glucose monitoring system, internationally and in the U.S. In 2019, Freestyle Libre sales totaled $1.842 billion, which reflected a 69.8 percent increase over 2018 sales, excluding the effect of foreign exchange. In July 2018, Abbott received U.S. FDA approval of its FreeStyle Libre 14 day sensor, making it the longest lasting wearable glucose sensor available. In October 2018, Abbott obtained CE Mark for its Freestyle Libre 2 system, a next-generation product offering with optional real-time alarms.

The 2019 growth in Structural Heart revenue was broad-based across several areas of the business, including MitraClip, Abbott's market-leading device for the minimally invasive treatment of mitral regurgitation (MR), a leaky heart valve. During the first quarter of 2019, Abbott received U.S. FDA approval for a new, expanded indication for MitraClip to treat clinically significant secondary MR as a result of underlying heart failure. This new indication expands the number of people with MR that can be treated with the MitraClip device. In July 2019, Abbott received U.S. FDA approval of the next generation of its MitraClip device, which includes a new leaflet grasping enhancement, an expanded range of clip sizes and facilitation of procedure assessment in real time to offer doctors further options when treating mitral valve disease. In 2018, growth in Structural Heart was driven by several product areas including MitraClip and the AMPLATZER® PFO occluder, a device designed to close a hole-like opening in the heart. In September 2018, Abbott announced positive clinical results from its COAPT study, which demonstrated that MitraClip improved survival and clinical outcomes for select patients with functional MR. In September 2019, Abbott announced additional data from its COAPT trial that shows that MitraClip is projected to increase life expectancy and quality of life compared to guideline-directed medical therapy alone in heart failure patients with secondary MR.

In 2019, the growth in Electrophysiology revenue reflects higher sales of cardiac diagnostic and ablation catheters in both the U.S. and internationally. In January 2019, Abbott announced U.S. FDA approval of its TactiCath® contact force ablation catheter, Sensor Enabled™, which is designed to help physicians treat atrial fibrillation, a form of irregular heartbeat. In 2018, the growth in Electrophysiology was led by higher sales in

cardiac mapping and ablation catheters. In May 2018, Abbott announced U.S. FDA clearance of the Advisor HD Grid Mapping Catheter, Sensor Enabled, which creates detailed maps of the heart and expands Abbott's electrophysiology product portfolio.

In 2019, the growth in Heart Failure revenue was driven by rapid market adoption in the U.S. of Abbott's HeartMate 3® Left Ventricular Assist Device (LVAD) following FDA approval in October 2018 as a destination (long-term use) therapy for people living with advanced heart failure as well as higher sales of Abbott's CardioMEMS® heart failure monitoring system. In March 2019, Abbott announced new data from its MOMENTUM 3 clinical study, the largest randomized controlled trial to assess outcomes in patients receiving a heart pump to treat advanced heart failure, which demonstrated HeartMate 3 improved survival and clinical outcomes in this patient population. In 2018, growth in international Heart Failure sales was offset by lower U.S. sales.

In Vascular, excluding the effect of foreign exchange, sales in 2019 were flat as the 1.3 percent increase in coronary and endovascular product sales, which includes drug-eluting stents, balloon catheters, guidewires, vascular imaging/diagnostics products, vessel closure, carotid and other coronary and peripheral products, was offset by reductions in royalty and contract manufacturing revenue. In 2018, growth in Vascular imaging, vessel closure and other endovascular revenues was partially offset by lower DES sales due to lower U.S. market share and price erosion in various markets. During the second quarter of 2018, Abbott received approval from the U.S. FDA for the XIENCE Sierra Drug Eluting Stent System, the newest generation of its coronary stent system. During the second quarter of 2018, the XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease.

In Rhythm Management, higher 2019 international sales, excluding the effect of foreign exchange, were offset by a 4.4 percent decrease in U.S. revenue. In 2018, market share gains in the new patient segment for Rhythm Management and the U.S. launch of Abbott's Confirm Rx® Insertable Cardiac Monitor (ICM), the world's first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias, were partially offset by replacement cycle dynamics.

In 2019, the 2.4 percent decline in Neuromodulation sales, excluding the effect of foreign exchange, reflects a 4.2 percent decline in U.S. sales. In 2018, the growth in Neuromodulation reflects higher revenue for various products for the treatment of chronic pain and movement disorders.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2019, 2018 and 2017.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to materially affect Abbott.

In April 2017, Abbott received a warning letter from the U.S. FDA related to its manufacturing facility in Sylmar, CA which was acquired by Abbott on January 4, 2017 as part of the acquisition of St. Jude Medical. This facility manufactures implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and monitors. The warning letter relates to the FDA's observations from an inspection of this facility. Abbott has prepared a comprehensive plan of corrective actions which has been provided to the FDA. Abbott is continuing to execute the corrective actions in the plan.

Operating Earnings

Gross profit margins were 52.5 percent of net sales in 2019, 51.3 percent in 2018 and 47.5 percent in 2017. In 2019, the increase primarily reflects lower intangible amortization expense and lower integration and restructuring costs. In 2018, the increase primarily reflects lower inventory step-up amortization related to the St. Jude Medical and Alere acquisitions and margin improvements in various businesses.

Research and development (R&D) expense was $2.4 billion in 2019, $2.3 billion in 2018, and $2.3 billion in 2017 and represented a 6.1 percent increase in 2019, and a 1.7 percent increase in 2018. The increase in R&D spending in 2019 primarily reflects higher spending on the acquisition of R&D assets which were immediately expensed. In 2019, spending on R&D assets totaled $116 million and included the acquisition of an R&D asset valued at $102 million that was acquired in conjunction with the acquisition of Cephea Valve Technologies, Inc. In 2018, Abbott acquired R&D assets valued at $47 million which were also immediately expensed. The 2019 increase in R&D expense was also driven by higher R&D spending in various businesses, primarily in Medical Devices, partially offset by the favorable effect of foreign exchange. The 2018 increase in R&D expenses was primarily due

to higher spending on various projects, partially offset by lower restructuring and integration costs. In 2019, R&D expenditures totaled $1.2 billion for the Medical Devices segment, $553 million for the Diagnostic Products segment, $193 million for the Nutritional Products segment and $185 million for the Established Pharmaceutical Products segment.

Selling, general and administrative (SG&A) expenses were basically flat in 2019 and increased 6.1 percent in 2018 versus the respective prior year. In 2019, the favorable effect of foreign exchange and lower acquisition-related integration costs offset higher selling and marketing costs to drive continued growth across various businesses. The 2018 increase was primarily due to the impact of the acquisition of the Alere business in October 2017, as well as higher spending to drive continued growth and market expansion in various businesses, partially offset by lower acquisition-related expenses.

Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately $200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

Restructurings

From 2017 to 2019, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately $72 million in 2019, $52 million in 2018 and $187 million in 2017. Approximately $19 million in 2019, $5 million in 2018 and $5 million in 2017 are recorded in Cost of products sold, approximately $4 million in 2019 and $10 million in 2018 are recorded in Research and development, and approximately $49 million in 2019, $37 million in 2018 and $182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St Jude Medical and Alere acquisitions.

From 2016 to 2019, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $66 million in 2019, $28 million in 2018 and $120 million in 2017. Approximately $16 million in 2019, $10 million in 2018 and $7 million in 2017 are recorded in Cost of products sold, approximately $28 million in 2019, $2 million in 2018 and $77 million in 2017 are recorded in Research and development, and approximately $22 million in 2019, $16 million in 2018 and $36 million in 2017 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 were recorded, primarily for accelerated depreciation.

Interest Expense and Interest (Income)

Interest expense decreased $156 million in 2019 due to the favorable impact of the euro debt financing in September 2018, as well as the repayment of debt in 2018 and the first quarter of 2019. In 2018, interest expense decreased primarily due to the net repayment of $8.3 billion of debt, partially offset by lower interest income due to lower cash balances. In 2017, interest expense increased primarily due to the $15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017.

Debt Extinguishment Costs

On December 19, 2019, Abbott redeemed the $2.850 billion principal amount of its 2.9% Notes due 2021. Abbott incurred a charge of $63 million related to the early repayment of this debt.

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On March 22, 2018, Abbott redeemed all of the $947 million principal amount of its 5.125% Notes due 2019, as well as $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

Other (Income) Expense, net

Other (income) expense, net, for 2019, 2018 and 2017 includes approximately $225 million, $160 million, and $160 million of income in each year, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. 2017 includes a pre-tax gain of $1.163 billion on the sale of AMO to Johnson & Johnson.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 9.6 percent in 2019, 18.8 percent in 2018 and 84.2 percent in 2017.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott completed its accounting for all of the enactment date income tax effects of the TCJA.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the FASB staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities. In 2019, taxes on earnings from continuing operations include an $86 million reduction to the transition tax. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. This adjustment decreased the cumulative net tax expense related to the TCJA to $1.50 billion.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2019, the remaining balance of Abbott's transition tax obligation is approximately $1.33 billion, which will be paid over the next seven years as allowed by the TCJA.

In 2019, taxes on earnings from continuing operations included $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes on earnings from continuing operations include $435 million of tax expense related to the gain on the sale of the AMO business.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 16 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Discontinued Operations

Earnings from discontinued operations, net of tax of $34 million and $124 million, in 2018 and 2017, respectively, were driven primarily by the recognition of net tax benefits as a result of the resolution of various tax positions pertaining to AbbVie's operations for years prior to the separation. On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

Business Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, the AMO loss before taxes included in Abbott's consolidated earnings was $18 million.

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

Research and Development Process

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

- Drug product development.
- Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).
- Phase II studies to test the efficacy of benefits in a small group of patients.
- Phase III studies to broaden the testing to a wider population that reflects the actual medical use.
- Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

- Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.
- Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.
- Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Premarket Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which has been governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category, with certain product categories requiring review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to declare conformity to the Directive. Other products only require a self-certification process. In the second quarter of 2017, the EU adopted the new In Vitro Diagnostic Regulation (IVDR) which replaces the existing directive in the EU for in vitro diagnostic products. The IVDR will apply after a five-year transition period and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products.

In the Medical Devices segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation, selection and qualification of a product design, completion of applicable clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., medical devices are classified as Class I, II, or III. Most of Abbott's medical device products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, medical devices are also categorized into different classes and the regulatory process, which has been governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) which replaces the existing directives in the EU for medical devices. The MDR will apply after a three to five-year (depending on product classification) transition period and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products.

Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some medical devices, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

Areas of Focus

In 2020 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology

through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon™, Duphaston™, Duphalac™ and Influvac™. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Medical Devices — Abbott's research and development programs focus on:

- Cardiac Rhythm Management – Development of next-generation rhythm management technologies, including enhanced patient engagement and expanded magnetic resonance (MR)-compatibility.
- Heart Failure – Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.
- Electrophysiology – Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.
- Vascular – Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- Structural Heart – Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.
- Neuromodulation – Development of next-generation technologies with enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.
- Diabetes Care – Develop enhancements and additional indications for the FreeStyle Libre platform of continuous glucose monitoring products to help patients improve their ability to manage diabetes.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays, including a focus on unmet medical need, in various areas including infectious disease, cardiac care, metabolics, and oncology, as well as informatics solutions to help optimize diagnostics laboratory performance and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests and 'Alinity m', a next generation instrument system, are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for cardiometabolic disease, infectious disease and toxicology.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2019 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.0 percent of total Abbott sales in 2020. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

At December 31, 2019, goodwill recorded as a result of business combinations totaled $23.2 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $6.1 billion, $6.3 billion and $5.6 billion in 2019, 2018 and 2017, respectively. The decrease in Net cash from operating activities in 2019 was primarily due to an increased investment in working capital, timing of pension contributions relative to 2018 and higher income tax payments, partially offset by the favorable cash flow impact of improved segment operating earnings and lower interest and acquisition-related expenses. The increase in Net cash from operating activities in 2018 was primarily due to higher segment operating earnings, continued improvements in working capital management, timing of pension contributions and lower acquisition-related expenses. The income tax component of cash from operating activities in 2018 includes the non-cash impact of the $120 million adjustment to the transition tax associated with the TCJA. The income tax component of operating cash flow in 2017 includes the non-cash impact of $1.46 billion of net tax expense related to the estimated impact of the TCJA.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2019, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $382 million in 2019, $114 million in 2018 and $645 million in 2017 to defined benefit pension plans. Abbott expects pension funding of approximately $387 million in 2020 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2019, Abbott's long-term debt rating was A- by Standard & Poor's Corporation and A3 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a 2018 revolving credit agreement that expires in 2023. Any borrowings under the current revolving credit agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased to $27.9 billion at December 31, 2017. The increase in debt included the following transactions:

- In the first quarter of 2017, as part of the acquisition of St. Jude Medical, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid, or refinanced by Abbott. This included the exchange of certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for approximately $2.9 billion of debt issued by Abbott. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remained outstanding. There were no significant costs associated with the exchange of this debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

- In 2017, Abbott borrowed $2.8 billion on an unsecured basis under a 5-year term loan agreement and borrowed $1.7 billion under its lines of credit. Proceeds from such borrowings were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The borrowings bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off the term loan in January 2018, ahead of its 2022 due date and paid off $550 million of the line of credit in the fourth quarter of 2017 and the remaining $1.15 billion on January 5, 2018. In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.
- In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which $201 million and $199 million was outstanding at December 31, 2019 and 2018, respectively.

In 2018, Abbott committed to reducing its debt levels and on February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization during 2018 included $0.947 billion principal amount of its 5.125% Notes due 2019 and $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed $4.0 billion principal amount of its outstanding long-term debt. This amount is in addition to the $5 billion authorization discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

The 2018 transactions described above, including the repayment of $2.8 billion under the 5-year term loan and $1.15 billion of borrowings under the lines of credit, resulted in the net repayment of approximately $8.3 billion of debt.

On February 24, 2019, Abbott redeemed the $500 million outstanding principal amount of its 2.80% Notes due 2020.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization superseded the board's previous authorization under which $700 million had not yet been redeemed. On December 19, 2019, Abbott redeemed the $2.850 billion outstanding principal amount of its 2.90% Notes due 2021. After redemption of the 2.90% Notes, $2.15 billion of the $5 billion debt redemption authorization remains available.

On November 19, 2019, Abbott's wholly owned subsidiary, Ireland Financing DAC, completed a euro debt offering of €1.180 billion of long-term debt. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.

On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

The 2019 transactions described above resulted in the repayment of approximately of $1.6 billion of debt, net of borrowings, bringing Abbott's total debt to $18.1 billion at December 31, 2019.

In September 2014, the board of directors authorized the repurchase of up to $3.0 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 36.2 million shares at a cost of $1.666 billion in 2015, 10.4 million shares at a cost of $408 million in 2016, 1.9 million shares at a cost of $130 million in 2018, and 6.3 million shares at a cost of $525 million in 2019 for a total of approximately $2.730 billion. In October 2019, the board of directors authorized the repurchase of up to $3 billion

of Abbott's common shares from time to time. The new authorization is in addition to the $270 million unused portion of the share repurchase program authorized in 2014.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to $3 billion. No shares have been issued under this authorization.

Abbott declared dividends of $1.32 per share in 2019 compared to $1.16 per share in 2018, an increase of approximately 14 percent. Dividends paid were $2.270 billion in 2019 compared to $1.974 billion in 2018. The year-over-year change in dividends paid primarily reflects the impact of the increase in the dividend rate.

Working Capital

Working capital was $4.8 billion at December 31, 2019 and $5.6 billion at December 31, 2018. The decrease in working capital in 2019 reflects the presentation of $1.3 billion of Senior Notes due 2020 as current liabilities at December 31, 2019, partially offset by an overall net increase in working capital of approximately $485 million due to changes in accounts receivable, inventory and accounts payable associated with the growth of the business.

Abbott monitors the credit worthiness of customers and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring economic conditions and budgetary and other fiscal developments, Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables.

Capital Expenditures

Capital expenditures of $1.6 billion in 2019, $1.4 billion in 2018 and $1.1 billion in 2017 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers.

Contractual Obligations

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2019.

	Payments Due By Period				
(dollars in millions)	Total	2020	2021-2022	2023-2024	2025 and Thereafter
Long-term debt, including current maturities	$18,049	$1,278	$ 757	$3,527	$12,487
Interest on debt obligations	9,432	576	1,137	1,061	6,658
Operating lease obligations	1,138	238	352	195	353
Purchase commitments (a)	3,187	2,974	194	11	8
Other long-term liabilities (b)	4,117	—	1,885	1,178	1,054
Total (c)	$35,923	$5,066	$4,325	$5,972	$20,560

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

(b) Other long-term liabilities include estimated payments for the transition tax under the TCJA, net of applicable credits.

(c) Net unrecognized tax benefits totaling approximately $580 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 16 — Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 15 — Post-employment Benefits.

Contingent Obligations

Abbott has periodically entered into agreements with other companies in the ordinary course of business, such as assignment of product rights, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Legislative Issues

Abbott's primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors.

Recently Issued Accounting Standards

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard becomes effective for Abbott in the first quarter of 2021 and early adoption is permitted. Abbott does not expect adoption of this new standard to have a material impact on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses,* which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The new standard will be effective for Abbott at the beginning of 2020. Adoption of the new standard will not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to measure and recognize a lease asset and liability on the balance sheet for most leases, including operating leases. Abbott adopted the new standard as of January 1, 2019 using the modified retrospective approach and applied the standard's transition provisions as of January 1, 2019. As a result, no changes were made to the December 31, 2018 Consolidated Balance Sheet. Abbott elected to apply the package of practical expedients related to transition. These practical expedients allowed Abbott to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2019, and whether any initial direct costs for such leases qualified for capitalization.

The new lease accounting standard did not have a material impact on the amounts reported in the Consolidated Statement of Earnings but does have a material impact on the amounts reported in the Consolidated Balance Sheet. Adoption of the new standard resulted in the recording of approximately $850 million of new right of use (ROU) assets and additional liabilities for operating leases on the Consolidated Balance Sheet as of January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

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 Item 1A, Risk Factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $11 million and $13 million as of December 31, 2019 and 2018, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2019 by approximately $2 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $346 million and $307 million as of December 31, 2019 and 2018, respectively. Changes in the fair value of these investments, as well as an offsetting change in the benefit obligation, are recorded in earnings.

Non-Publicly Traded Equity Securities

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $158 million and $211 million as of December 31, 2019 and 2018, respectively. No individual investment is recorded at a value in excess of $61 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Interest Rate Sensitive Financial Instruments

At December 31, 2019 and 2018, Abbott had interest rate hedge contracts totaling $2.9 billion to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. 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. The fair value of long-term debt at December 31, 2019 and 2018 amounted to $20.8 billion and $19.9 billion, respectively (average interest rates of 3.3% and 3.5% as of December 31, 2019 and 2018, respectively) with maturities through 2046. At December 31, 2019 and 2018, the fair value of current and long-term investment securities amounted to approximately $1.2 billion and $1.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

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 foreign currency 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 products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2019 and 2018, Abbott held $6.8 billion and $5.1 billion, respectively, of such contracts. Contracts held at December 31, 2019 will mature in 2020 or 2021 depending upon the contract. Contracts held at December 31, 2018 matured in 2019 or will mature in 2020 depending upon the contract.

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, 2019 and 2018, Abbott held $9.1 billion and $13.6 billion, respectively, of such contracts, which mature in the next 13 months.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. From the date of the borrowing through December 31, 2019, the value of this long-term debt decreased approximately $4 million to $546 million due to foreign exchange rate changes. The change in the value was recorded in Accumulated other comprehensive

income (loss), net of tax. In March 2017, Abbott repaid its $479 million yen-denominated short-term debt which was designated as a hedge of the net

investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2019 and 2018:

	2019			2018		
(dollars in millions)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	$ 7,085	1.1189	$ 65	$11,630	1.1938	$ 13
Chinese Yuan	2,177	7.0216	4	1,592	6.9055	(10)
Japanese Yen	1,092	106.8530	13	1,079	108.2188	6
All other currencies	5,532	n/a	(23)	4,388	n/a	10
Total	$15,886		$ 59	$18,689		$ 19

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2019	**2018**	**2017**
Net Sales	$31,904	$30,578	$27,390
Cost of products sold, excluding amortization of intangible assets	13,231	12,706	12,409
Amortization of intangible assets	1,936	2,178	1,975
Research and development	2,440	2,300	2,260
Selling, general and administrative	9,765	9,744	9,182
Total Operating Cost and Expenses	27,372	26,928	25,826
Operating Earnings	4,532	3,650	1,564
Interest expense	670	826	904
Interest income	(94)	(105)	(124)
Net foreign exchange (gain) loss	7	28	(34)
Debt extinguishment costs	63	167	—
Other (income) expense, net	(191)	(139)	(1,413)
Earnings from Continuing Operations Before Taxes	4,077	2,873	2,231
Taxes on Earnings from Continuing Operations	390	539	1,878
Earnings from Continuing Operations	3,687	2,334	353
Net Earnings from Discontinued Operations, net of taxes	—	34	124
Net Earnings	$ 3,687	$ 2,368	$ 477
Basic Earnings Per Common Share --			
Continuing Operations	$ 2.07	$ 1.32	$ 0.20
Discontinued Operations	—	0.02	0.07
Net Earnings	$ 2.07	$ 1.34	$ 0.27
Diluted Earnings Per Common Share --			
Continuing Operations	$ 2.06	$ 1.31	$ 0.20
Discontinued Operations	—	0.02	0.07
Net Earnings	$ 2.06	$ 1.33	$ 0.27
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,768	1,758	1,740
Dilutive Common Stock Options	13	12	9
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,781	1,770	1,749
Outstanding Common Stock Options Having No Dilutive Effect	61	—	—

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2019	**2018**	**2017**
Net Earnings	$ 3,687	$ 2,368	$ 477
Foreign currency translation gain (loss) adjustments	(12)	(1,460)	1,365
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $(238) in 2019, $47 in 2018 and $(61) in 2017	(814)	132	(243)
Unrealized gains (losses) on marketable equity securities, net of taxes of $(76) in 2017	—	—	64
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of $ (17) in 2019, $50 in 2018 and $(43) in 2017	(53)	136	(134)
Other Comprehensive Income (Loss)	(879)	(1,192)	1,052
Comprehensive Income	$ 2,808	$ 1,176	$ 1,529
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$(4,924)	$(4,912)	$(3,452)
Net actuarial (losses) and prior service (cost) and credits	(3,540)	(2,726)	(2,521)
Cumulative unrealized (losses) gains on marketable equity securities	—	—	(5)
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(1)	52	(84)
Accumulated other comprehensive income (loss)	$(8,465)	$(7,586)	$(6,062)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

	Year Ended December 31		
	2019	**2018**	**2017**
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 3,687	$ 2,368	$ 477
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,078	1,100	1,046
Amortization of intangible assets	1,936	2,178	1,975
Share-based compensation	519	477	406
Amortization of inventory step-up	—	32	907
Investing and financing losses, net	184	126	47
Loss on extinguishment of debt	63	167	—
Amortization of bridge financing fees	—	—	5
Gains on sale of businesses	—	—	(1,163)
Gain on sale of Mylan N.V. shares	—	—	(45)
Trade receivables	(275)	(190)	(207)
Inventories	(593)	(514)	249
Prepaid expenses and other assets	(138)	23	109
Trade accounts payable and other liabilities	220	747	615
Income taxes	(545)	(214)	1,149
Net Cash From Operating Activities	6,136	6,300	5,570
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,638)	(1,394)	(1,135)
Acquisitions of businesses and technologies, net of cash acquired	(170)	(54)	(17,183)
Proceeds from business dispositions	48	48	6,042
Proceeds from the sale of Mylan N.V. shares	—	—	2,704
Purchases of investment securities	(103)	(131)	(210)
Proceeds from sales of investment securities	21	73	129
Other	27	102	35
Net Cash From (Used in) Investing Activities	(1,815)	(1,356)	(9,618)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt, net and other	—	(26)	(1,034)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	1,842	4,009	6,742
Repayments of long-term debt and debt with maturities over 3 months	(3,441)	(12,433)	(8,650)
Purchase of Alere preferred stock	—	—	(710)
Acquisition and contingent consideration payments related to business acquisitions	—	—	(13)
Purchases of common shares	(718)	(238)	(117)
Proceeds from stock options exercised	298	271	350
Dividends paid	(2,270)	(1,974)	(1,849)
Net Cash From (Used in) Financing Activities	(4,289)	(10,391)	(5,281)
Effect of exchange rate changes on cash and cash equivalents	(16)	(116)	116
Net Increase (Decrease) in Cash and Cash Equivalents	16	(5,563)	(9,213)
Cash and Cash Equivalents, Beginning of Year	3,844	9,407	18,620
Cash and Cash Equivalents, End of Year	$ 3,860	$ 3,844	$ 9,407
Supplemental Cash Flow Information:			
Income taxes paid	$ 930	$ 740	$ 570
Interest paid	677	845	917

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 3,860	$ 3,844
Investments, primarily bank time deposits and U.S. treasury bills	280	242
Trade receivables, less allowances of — 2019: $384; 2018: $314	5,425	5,182
Inventories:		
Finished products	2,784	2,407
Work in process	560	499
Materials	972	890
Total inventories	4,316	3,796
Other prepaid expenses and receivables	1,786	1,568
Total current assets	15,667	14,632
Investments	883	897
Property and equipment, at cost:		
Land	519	501
Buildings	3,702	3,555
Equipment	11,468	10,756
Construction in progress	1,110	894
	16,799	15,706
Less: accumulated depreciation and amortization	8,761	8,143
Net property and equipment	8,038	7,563
Intangible assets, net of amortization	17,025	18,942
Goodwill	23,195	23,254
Deferred income taxes and other assets	3,079	1,885
	$67,887	$67,173

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2019	**2018**
Liabilities and Shareholders' Investment		
Current liabilities:		
Short-term borrowings	$ 201	$ 200
Trade accounts payable	3,252	2,975
Salaries, wages and commissions	1,237	1,182
Other accrued liabilities	4,035	3,780
Dividends payable	635	563
Income taxes payable	226	305
Current portion of long-term debt	1,277	7
Total current liabilities	10,863	9,012
Long-term debt	16,661	19,359
Post-employment obligations and other long-term liabilities	9,062	8,080
Commitments and contingencies		
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: 2019: 1,976,855,085; 2018: 1,971,189,465	23,853	23,512
Common shares held in treasury, at cost — Shares: 2019: 214,351,838; 2018: 215,570,043	(10,147)	(9,962)
Earnings employed in the business	25,847	24,560
Accumulated other comprehensive income (loss)	(8,465)	(7,586)
Total Abbott Shareholders' Investment	31,088	30,524
Noncontrolling interests in subsidiaries	213	198
Total Shareholders' Investment	31,301	30,722
	$ 67,887	$67,173

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

	Year Ended December 31		
	2019	2018	2017
Common Shares:			
Beginning of Year			
Shares: 2019: 1,971,189,465; 2018: 1,965,908,188; 2017: 1,707,475,455	$ 23,512	$ 23,206	$ 13,027
Issued under incentive stock programs			
Shares: 2019: 5,665,620; 2018: 5,281,277; 2017: 8,834,924	209	163	242
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	—	—	9,835
Share-based compensation	521	479	406
Issuance of restricted stock awards	(389)	(336)	(304)
End of Year			
Shares: 2019: 1,976,855,085; 2018: 1,971,189,465; 2017: 1,965,908,188	$ 23,853	$ 23,512	$ 23,206
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2019: 215,570,043; 2018: 222,305,719; 2017: 234,606,250	$ (9,962)	$(10,225)	$(10,791)
Issued under incentive stock programs			
Shares: 2019: 7,796,030; 2018: 8,870,735; 2017: 8,696,320	361	408	400
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	—	—	180
Purchased			
Shares: 2019: 6,577,825; 2018: 2,135,059; 2017: 302,637	(546)	(145)	(14)
End of Year			
Shares: 2019: 214,351,838; 2018: 215,570,043; 2017: 222,305,719	$(10,147)	$ (9,962)	$(10,225)
Earnings Employed in the Business:			
Beginning of Year	$ 24,560	$ 23,978	$ 25,565
Impact of adoption of new accounting standards	—	351	—
Net earnings	3,687	2,368	477
Cash dividends declared on common shares (per share — 2019: $1.32; 2018: $1.16; 2017: $1.075)	(2,343)	(2,047)	(1,947)
Effect of common and treasury share transactions	(57)	(90)	(117)
End of Year	$ 25,847	$ 24,560	$ 23,978
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (7,586)	$ (6,062)	$ (7,263)
Impact of adoption of new accounting standards	—	(332)	—
Business dispositions	—	—	149
Other comprehensive income (loss)	(879)	(1,192)	1,052
End of Year	$ (8,465)	$ (7,586)	$ (6,062)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 198	$ 201	$ 179
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	15	(3)	22
End of Year	$ 213	$ 198	$ 201

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 — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

USE OF ESTIMATES — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates, income taxes, pension and other post-employment benefits, valuation of intangible assets, litigation, derivative financial instruments, and inventory and accounts receivable exposures.

FOREIGN CURRENCY TRANSLATION — The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

REVENUE RECOGNITION — Revenue from product sales is recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Interest and penalties on income tax obligations are included in taxes on earnings.

EARNINGS PER SHARE — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2019, 2018 and 2017 were $3.666 billion, $2.320 billion and $346 million, respectively. Net earnings allocated to

common shares in 2019, 2018 and 2017 were $3.666 billion, $2.353 billion and $468 million, respectively.

Note 1 — Summary of Significant Accounting Policies (Continued)

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

FAIR VALUE MEASUREMENTS — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

SHARE-BASED COMPENSATION — The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

LITIGATION — Abbott accounts for litigation losses in accordance with FASB ASC No. 450, “Contingencies.” Under ASC No. 450, loss contingency provisions are recorded for probable losses at management’s best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of $321 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. 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 interest income.

TRADE RECEIVABLE VALUATIONS — Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

Note 1 — Summary of Significant Accounting Policies (Continued)

PROPERTY AND EQUIPMENT — 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
Equipment	3 to 20 years

PRODUCT LIABILITY — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Product liability losses are self-insured.

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D) — The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical or medical device products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over the remaining useful life. Collaborations are not significant.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 – New Accounting Standards

Recently Adopted Accounting Standards

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

Note 2 – New Accounting Standards (Continued)

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to measure and recognize a lease asset and liability on the balance sheet for most leases, including operating leases. Abbott adopted the new standard as of January 1, 2019 using the modified retrospective approach and applied the standard's transition provisions as of January 1, 2019. As a result, no changes were made to the December 31, 2018 Consolidated Balance Sheet. Abbott elected to apply the package of practical expedients related to transition. These practical expedients allowed Abbott to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2019, and whether any initial direct costs for such leases qualified for capitalization. The new lease accounting standard did not have a material impact on the amounts reported in the Consolidated Statement of Earnings but does have a material impact on the amounts reported in the Consolidated Balance Sheet. Adoption of the new standard resulted in the recording of approximately $850 million of new right of use (ROU) assets and additional liabilities for operating leases on the Consolidated Balance Sheet as of January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

Note 2 – New Accounting Standards (Continued)

Recent Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard becomes effective for Abbott in the first quarter of 2021 and early adoption is permitted. Abbott does not expect adoption of this new standard to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The new standard will be effective for Abbott at the beginning of 2020. Adoption of the new standard will not have a material impact on the consolidated financial statements.

Note 3 — Revenue

Abbott’s revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott’s products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

Note 3 — Revenue (Continued)

The following tables provide detail by sales category:

	2019			2018			2017		
(in millions)	**U.S.**	**Int'l**	**Total**	**U.S.**	**Int'l**	**Total**	**U.S.**	**Int'l**	**Total**
Established Pharmaceutical Products —									
Key Emerging Markets	$ —	$ 3,392	$ 3,392	$ —	$ 3,363	$ 3,363	$ —	$ 3,307	$ 3,307
Other	—	1,094	1,094	—	1,059	1,059	—	980	980
Total	—	4,486	4,486	—	4,422	4,422	—	4,287	4,287
Nutritionals —									
Pediatric Nutritionals	1,879	2,282	4,161	1,843	2,254	4,097	1,777	2,112	3,889
Adult Nutritionals	1,231	2,017	3,248	1,232	1,900	3,132	1,254	1,782	3,036
Total	3,110	4,299	7,409	3,075	4,154	7,229	3,031	3,894	6,925
Diagnostics —									
Core Laboratory	1,086	3,570	4,656	985	3,401	4,386	921	3,142	4,063
Molecular	149	293	442	152	332	484	160	303	463
Point of Care	438	123	561	432	121	553	440	110	550
Rapid Diagnostics	1,214	840	2,054	1,148	924	2,072	296	244	540
Total	2,887	4,826	7,713	2,717	4,778	7,495	1,817	3,799	5,616
Medical Devices —									
Rhythm Management (a)	1,057	1,087	2,144	1,105	1,093	2,198	1,043	1,089	2,132
Electrophysiology (a)	742	979	1,721	678	883	1,561	596	757	1,353
Heart Failure	574	195	769	467	179	646	491	152	643
Vascular	1,047	1,803	2,850	1,126	1,803	2,929	1,180	1,712	2,892
Structural Heart	616	784	1,400	488	751	1,239	432	651	1,083
Neuromodulation	660	171	831	690	174	864	636	172	808
Diabetes Care	678	1,846	2,524	457	1,476	1,933	332	1,082	1,414
Total	5,374	6,865	12,239	5,011	6,359	11,370	4,710	5,615	10,325
Other (b)	27	30	57	36	26	62	115	122	237
Total	$11,398	$20,506	$31,904	$10,839	$19,739	$30,578	$9,673	$17,717	$27,390

(a) Insertable Cardiac Monitor (ICM) sales, which had previously been reported in Electrophysiology, are now included in Rhythm Management. Historic periods have been adjusted to reflect this change.

(b) Diabetes Care sales, which had previously been reported in Other, are now included in the Medical Devices segment. Historic periods have been adjusted to reflect this change.

Abbott recognizes revenue from product sales upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. For maintenance agreements that provide service beyond Abbott's standard warranty and other service agreements, revenue is recognized ratably over the contract term. A time-based measure of progress appropriately reflects the transfer of services to the customer. Payment terms between Abbott and its customers vary by the type of customer, country of sale, and the products or services offered. The term between invoicing and the payment due date is not significant.

Note 3 — Revenue (Continued)

Management exercises judgment in estimating variable consideration. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Abbott provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities.

Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Remaining Performance Obligations

As of December 31, 2019, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $3.3 billion in the Diagnostic Products segment and approximately $380 million in the Medical Devices segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

These performance obligations primarily reflect the future sale of reagents/consumables in contracts with minimum purchase obligations, extended warranty or service obligations related to previously sold equipment, and remote monitoring services related to previously implanted devices. Abbott has applied the practical expedient described in Accounting Standards Codification (ASC) 606-10-50-14 and has not included remaining performance obligations related to contracts with original expected durations of one year or less in the amounts above.

Assets Recognized for Costs to Obtain a Contract with a Customer

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2019 and 2018 were not significant.

Note 3 — Revenue (Continued)

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2019 and 2018 were not significant.

Other Contract Assets and Liabilities

Abbott discloses Trade receivables separately in the Consolidated Balance Sheet at their net realizable value. Contract assets primarily relate to Abbott's conditional right to consideration for work completed but not billed at the reporting date. Contract assets at the beginning and end of the period, as well as the changes in the balance, were not significant.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. Abbott's contract liabilities arise primarily in the Medical Devices reportable segment when payment is received upfront for various multi-period extended service arrangements. Changes in the contract liabilities during the period are as follows:

(in millions)	
Contract Liabilities	
Balance at January 1, 2018	$ 198
Unearned revenue from cash received during the period	304
Revenue recognized related to contract liability balance	(243)
Balance at December 31, 2018	259
Unearned revenue from cash received during the period	411
Revenue recognized related to contract liability balance	(376)
Balance at December 31, 2019	$ 294

Note 4 — Discontinued Operations and Business Dispositions

In February 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million ordinary shares (or approximately 22 percent) of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business. In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. and recorded a pretax gain of $207 million on $2.29 billion in net proceeds from the sale of these shares. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million gain from the sale of

these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

The net earnings of discontinued operations include income tax benefits of $39 million in 2018 and $109 million in 2017. These tax benefits primarily relate to the resolution of various tax positions related to AbbVie's operations for years prior to the separation. Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business, in January 2013. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

Note 4 — Discontinued Operations and Business Dispositions (Continued)

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, the AMO loss before taxes included in Abbott's consolidated earnings was $18 million.

Note 5 — Supplemental Financial Information

Other (income) expense, net, for 2019, 2018 and 2017 includes approximately $225 million, $160 million and $160 million of income, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. Other (income) expense, net, for 2017 includes a pre-tax gain of $1.163 billion related to the sale of AMO to Johnson & Johnson. In 2017, Abbott recorded a $45 million pre-tax gain related to the sale of the Mylan N.V. ordinary shares. See Note 4 — Discontinued Operations and Business Dispositions for further discussion of these 2017 sales.

The detail of various balance sheet components is as follows:

(in millions)	December 31, 2019	December 31, 2018
Long-term Investments:		
Equity securities	$ 836	$ 856
Other	47	41
Total	$ 883	$ 897

Abbott's equity securities as of December 31, 2019 and December 31, 2018, include $346 million and $307 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2019 with a carrying value of $321 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $158 million that do not have a readily determinable fair value. The $158 million carrying value includes an unrealized gain of approximately $50 million on an investment. The gain was recorded in the second quarter of 2018 and relates to an observable price change for a similar investment of the same issuer.

Note 5 — Supplemental Financial Information (Continued)

In the first quarter of 2019, in conjunction with the acquisition of Cephea Valve Technologies, Inc., Abbott acquired a research & development (R&D) asset valued at $102 million, which was immediately expensed. The $102 million of expense was recorded in the R&D line of Abbott's Consolidated Statement of Earnings.

(in millions)	December 31, 2019	December 31, 2018
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 212	$ 166
Accrued other rebates (a)	655	608
All other	3,168	3,006
Total	$ 4,035	$ 3,780

(a) Accrued wholesaler chargeback rebates of $175 million and $197 million at December 31, 2019 and 2018, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	December 31, 2019	December 31, 2018
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 2,817	$ 2,040
Deferred income taxes	1,546	2,056
Operating lease liabilities	755	—
All other (b)	3,944	3,984
Total	$ 9,062	$ 8,080

(b) 2019 includes approximately $580 million of net unrecognized tax benefits, as well as approximately $68 million of acquisition consideration payable. 2018 includes approximately $465 million of net unrecognized tax benefits, as well as approximately $65 million of acquisition consideration payable.

Note 6 — Accumulated Other Comprehensive Income (Loss)

The components of the changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows:

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial (Losses) and Prior Service (Costs) and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2017	$(3,452)	$(2,521)	$ (5)	$ (84)	$(6,062)
Impact of adoption of new accounting standards	—	(337)	5	—	(332)
Other comprehensive income (loss) before reclassifications	(1,488)	(18)	—	58	(1,448)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	28	150	—	78	256
Net current period other comprehensive income (loss)	(1,460)	132	—	136	(1,192)
Balance at December 31, 2018	(4,912)	(2,726)	—	52	(7,586)
Other comprehensive income (loss) before reclassifications	(12)	(719)	—	2	(729)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	(95)	—	(55)	(150)
Net current period other comprehensive income (loss)	(12)	(814)	—	(53)	(879)
Balance at December 31, 2019	$(4,924)	$(3,540)	$ —	$ (1)	$(8,465)

(a) Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange (gain) loss and gains/losses related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost – see Note 15 for additional information.

Note 7 — Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of $39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately $81 per St. Jude Medical common share and total purchase consideration of $23.6 billion. The cash portion of the acquisition was funded

through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

Note 7 — Business Acquisitions (Continued)

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel. The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately $200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include $6.5 billion of sales and a pre-tax loss of approximately $1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately $1.5 billion of intangible amortization and $907 million of inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately $485 million in 2016. This includes amortization of approximately $940 million of inventory step-up and $1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately $750 million, which includes $225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately $907 million which was recorded in 2017 but included in the 2016 unaudited pro forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

Note 7 — Business Acquisitions (Continued)

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

Note 8 — Goodwill and Intangible Assets

The total amount of goodwill reported was $23.2 billion at December 31, 2019 and $23.3 billion at December 31, 2018. Foreign currency translation adjustments decreased goodwill by approximately $103 million in 2019 and $440 million in 2018. Purchase price accounting adjustments associated with the Alere acquisition decreased goodwill by $326 million in 2018. The amount of goodwill related to reportable segments at December 31, 2019 was $3.0 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.7 billion for the Diagnostic Products segment, and $16.1 billion for the Medical Devices segment. There was no significant reduction of goodwill relating to impairments in 2019 and 2018.

The gross amount of amortizable intangible assets, primarily product rights and technology was $27.6 billion and $25.7 billion as of December 31, 2019 and 2018, respectively, and accumulated amortization was $11.9 billion and $10.4 billion as of December 31, 2019 and 2018, respectively. Foreign currency translation adjustments decreased intangible assets by approximately $71 million in 2019 and $281 million in 2018. In 2018, purchase price allocation adjustments increased intangible assets by $280 million. The estimated annual amortization expense for intangible assets recorded at December 31, 2019 is approximately $2.1 billion in 2020, $2.0 billion in 2021, $2.0 billion in 2022, $2.0 billion in 2023 and $1.9 billion in 2024. Amortizable intangible assets are amortized over 2 to 20 years.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $1.3 billion and $3.6 billion at December 31, 2019 and 2018, respectively. The decrease is due to an in-process research and development intangible asset related to the Medical Devices segment that became amortizable at the end of 2019. In 2017, Abbott recorded a $53 million impairment of an in-process research and development project related to the Medical Devices segment.

Note 9 — Restructuring Plans

From 2017 to 2019, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately $72 million in 2019, $52 million in 2018 and $187 million in 2017. Approximately $19 million in 2019, $5 million in 2018 and $5 million in 2017 are recorded in Cost of products sold, approximately $4 million in 2019 and $10 million in 2018 are recorded in Research and development, and approximately $49 million in 2019, $37 million in 2018 and $182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St Jude Medical and Alere acquisitions.

The following summarizes the activity related to these actions and the status of the related accruals:

(in millions)	
Liabilities assumed as part of business acquisitions	$ 23
Restructuring charges	187
Payments and other adjustments	(142)
Accrued balance at December 31, 2017	68
Restructuring charges	52
Payments and other adjustments	(79)
Accrued balance at December 31, 2018	41
Restructuring charges	72
Payments and other adjustments	(67)
Accrued balance at December 31, 2019	$ 46

From 2016 to 2019, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $66 million in 2019, $28 million in 2018 and $120 million in 2017. Approximately $16 million in 2019, $10 million in 2018 and $7 million in 2017 are recorded in Cost of products sold, approximately $28 million in 2019, $2 million in 2018 and $77 million in 2017 are recorded in Research and development, and approximately $22 million in 2019, $16 million in 2018 and $36 million in 2017 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 were recorded, primarily for accelerated depreciation.

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2016	$ 32
	(15)

Payments and other adjustments	
Accrued balance at December 31, 2016	17
Restructuring charges	120
Payments and other adjustments	(18)
Accrued balance at December 31, 2017	119
Restructuring charges	28
Payments and other adjustments	(77)
Accrued balance at December 31, 2018	70
Restructuring charges	66
Payments and other adjustments	(57)
Accrued balance at December 31, 2019	$ 79

Note 10 — Incentive Stock Program

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2019, Abbott granted 4,579,283 stock options, 736,100 restricted stock awards and 6,628,009 restricted stock units under this program.

Under Abbott's stock incentive 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 generally vest equally over three years. Restricted stock awards generally vest over 3 years, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of options and restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2019, approximately 127 million shares remained available for future issuance.

In connection with the completion of the St. Jude Medical acquisition in the first quarter of 2017, unvested St. Jude Medical stock options and restricted stock units were assumed by Abbott and converted into Abbott options and restricted stock units (as applicable) of substantially equivalent value, in accordance with the merger agreement. The number of shares underlying the converted options was 7,364,571 at a weighted average exercise price of $30.50. The number of restricted stock units converted was 2,324,500 at a weighted average grant date fair value of $37.69.

The following table summarizes stock option activity for the year ended December 31, 2019 and the outstanding stock options as of December 31, 2019.

(intrinsic values in millions)	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	33,074,613	$ 42.21	6.3	$ 996
Granted	4,579,283	76.35		
Exercised	(7,281,472)	35.51		
Lapsed	(494,509)	60.06		
Outstanding at December 31, 2019	29,877,915	$ 48.78	6.2	$ 1,138
Exercisable at December 31, 2019	20,555,321	$ 41.26	5.3	$ 937

Note 10 — Incentive Stock Program (Continued)

The following table summarizes restricted stock awards and units activity for 2019.

	Share Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2018	15,952,602	$ 52.11
Granted	7,364,109	76.17
Vested	(7,750,049)	48.52
Forfeited	(1,103,348)	62.28
Outstanding at December 31, 2019	14,463,314	$ 65.51

The fair market value of restricted stock awards and units vested in 2019, 2018 and 2017 was $588 million, $458 million and $348 million, respectively.

The total intrinsic value of options exercised in 2019, 2018 and 2017 was $315 million, $249 million and $233 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2019 amounted to approximately $419 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2019, 2018 and 2017 for share-based plans totaled approximately $519 million, $477 million and $406 million, respectively, and the tax benefit recognized was approximately $197 million, $185 million and $242 million, respectively. The decrease in the tax benefit in 2018 primarily relates to the Tax Cuts and Jobs Act (TCJA), which reduces the U.S. federal corporate tax rate from 35% to 21%. Stock compensation cost capitalized as part of inventory is not significant.

The table below summarizes the fair value of an option granted in 2019, 2018 and 2017 and the assumptions included in the Black-Scholes option-pricing model used to estimate the fair value:

	2019	2018	2017
Fair value	$14.50	$10.93	$ 6.54
Risk-free interest rate	2.5 %	2.7 %	2.1 %
Average life of options (years)	6.0	6.0	6.0
Volatility	19.8 %	19.0 %	18.0 %
Dividend yield	1.7 %	1.9 %	2.4 %

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 11 — Debt and Lines of Credit

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

(in millions)	2019	2018
0.00% Notes, due 2020	$ 1,272	$ 1,300
2.80% Notes, due 2020	—	500
2.90% Notes, due 2021	—	2,850
2.55% Notes, due 2022	750	750
0.875% Notes, due 2023	1,272	1,303
3.40% Notes, due 2023	1,050	1,050
5-year term loan due 2024	546	—
0.10% Notes, due 2024	658	—
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,272	1,300
3.75% Notes, due 2026	1,700	1,700
0.375% Notes, due 2027	658	—
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(90)	(102)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(6)	(141)
Total carrying amount of long-term debt	17,938	19,366
Less: Current portion	1,277	7
Total long-term portion	$16,661	$19,359

On February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization include the following:

- $0.947 billion principal amount of its 5.125% Notes due 2019 – redeemed on March 22, 2018
- $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019 – redeemed on March 22, 2018
- $1.300 billion of the $1.795 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on June 22, 2018
- $0.495 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on September 28, 2018
- $0.500 billion outstanding principal amount of its 2.80% Notes due 2020 – redeemed on February 24, 2019

Abbott incurred a net charge of $14 million related to the March 22, 2018 early repayment of debt.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization supersedes the board's previous authorization under which $700 million had not yet been redeemed.

Note 11 — Debt and Lines of Credit (Continued)

On November 19, 2019, Abbott's wholly owned subsidiary, Ireland Financing DAC, completed an offering of €1.180 billion of long-term debt consisting of €590 million of 0.10% Notes due 2024 and €590 million of 0.375% Notes due 2027. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.

On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

On December 19, 2019, Abbott redeemed the $2.850 billion principal amount of its 2.9% Notes due 2021. Abbott incurred a charge of $63 million related to the early repayment of this debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt consisting of €1.140 billion of non-interest bearing Senior Notes due 2020 at 99.727% of par value; €1.140 billion of 0.875% Senior Notes due 2023 at 99.912% of par value; and €1.140 billion of 1.50% Senior Notes due 2026 at 99.723% of par value. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. These amounts are in addition to the $5 billion authorization in 2018 discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On November 30, 2018, Abbott entered into a Five Year Credit Agreement (Revolving Credit Agreement) and terminated the 2014 revolving credit agreement. There were no outstanding borrowings under the 2014 revolving credit agreement at the time of its termination. The Revolving Credit Agreement provides Abbott with the ability to borrow up to $5 billion on an unsecured basis. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 30, 2023. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott's long-term debt increased due to the assumption of outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of:

(in millions)	Principal Amount
2.00% Senior Notes due 2018	$ 473.8
2.80% Senior Notes due 2020	483.7
3.25% Senior Notes due 2023	818.4
3.875% Senior Notes due 2025	490.7
4.75% Senior Notes due 2043	639.1

Note 11 — Debt and Lines of Credit (Continued)

Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remained outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

In 2017, Abbott issued 364-day yen-denominated debt, of which $201 million and $199 million was outstanding at December 31, 2019 and 2018, respectively. In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to $2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed $2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017 Abbott borrowed $1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit were part of a 2014 revolving credit agreement that provided Abbott with the ability to borrow up to $5 billion on an unsecured basis. Advances under the revolving credit agreement, including the $1.7 billion borrowing in October 2017, were scheduled to mature and be payable on July 10, 2019. The $1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off $550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.

Principal payments required on long-term debt outstanding at December 31, 2019 are $1.3 billion in 2020, $5 million in 2021, $752 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024 and $12.5 billion in 2025 and thereafter.

At December 31, 2019, Abbott's long-term debt rating was A- by Standard & Poor's Corporation and A3 by Moody's. Abbott has readily available financial resources, including lines of credit of $5.0 billion which expire in 2023 and support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2019, 0.4% at December 31, 2018 and 0.3% at December 31, 2017.

Note 12 — Leases

Leases where Abbott is the Lessee

Abbott has entered into operating leases as the lessee for office space, manufacturing facilities, R&D laboratories, warehouses, vehicles and equipment. Finance leases are not significant. Abbott's operating leases generally have remaining lease terms of 1 to 10 years. Some leases include options to extend beyond the original lease term, generally up to 10 years and some include options to terminate early. These options have been included in the determination of the lease liability when it is reasonably certain that the option will be exercised.

For all of its asset classes, Abbott elected the practical expedient allowed under FASB ASC No. 842, "Leases" to account for each lease component (e.g., the right to use office space) and the associated non-lease components (e.g., maintenance services) as a single lease component. Abbott also elected the short-term lease accounting policy for all asset classes; therefore, Abbott is not recognizing a lease liability or ROU asset for any lease that, at the

commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that Abbott is reasonably certain to exercise.

Note 12 — Leases (Continued)

As Abbott's leases typically do not provide an implicit rate, the interest rate used to determine the present value of the payments under each lease typically reflects Abbott's incremental borrowing rate based on information available at the lease commencement date. Abbott's incremental borrowing rates at January 1, 2019 were used for operating leases that commenced prior to January 1, 2019.

The following table provides information related to Abbott's operating leases:

(in millions)	Year Ended December 31, 2019
Operating lease cost (a)	$ 314
Cash paid for amounts included in the measurement of operating lease liabilities	$ 253
ROU assets arising from entering into new operating lease obligations	$ 310

(a) Includes short-term lease expense and variable lease costs, which were immaterial in the year ended December 31, 2019.

The weighted average remaining lease term and discount rate for operating leases as of December 31, 2019 were 8 years and 3.9%, respectively.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2019 were as follows:

(in millions)	
2020	$ 238
2021	197
2022	155
2023	115
2024	80
Thereafter	353
Total future minimum lease payments – undiscounted	1,138
Less: imputed interest	(178)
Present value of lease liabilities	$ 960

The following table summarizes the amounts and location of operating lease ROU assets and lease liabilities as of December 31, 2019:

(in millions)	December 31, 2019	Balance Sheet Caption
Operating Lease - ROU Asset	$ 934	Deferred income taxes and other assets
Operating Lease Liability:		
Current	$ 205	Other accrued liabilities
Non-current	755	Post-employment obligations and other long-term liabilities
Total Liability	$ 960	

Note 12 — Leases (Continued)

Leases where Abbott is the Lessor

Certain assets, primarily diagnostics instruments, are leased to customers under contractual arrangements that typically include an operating or sales-type lease as well as performance obligations for reagents and other consumables. Sales-type leases are not significant. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where instruments are provided under operating lease arrangements, some portion or the entire lease revenue may be variable and subject to subsequent non-lease component (e.g., reagent) sales. The allocation of revenue between the lease and non-lease components is based on stand-alone selling prices. Operating lease revenue represented less than 3 percent of Abbott's total net sales in the year ended December 31, 2019.

Assets related to operating leases are reported within Net property and equipment on the Consolidated Balance Sheet. The original cost and the net book value of such assets were $2.8 billion and $1.2 billion, respectively, as of December 31, 2019.

Note 13 — Financial Instruments, Derivatives and Fair Value Measures

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates primarily for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling $6.8 billion at December 31, 2019, and $5.1 billion at December 31, 2018, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2019 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and 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. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2019 and 2018, Abbott held gross notional amounts of $9.1 billion and $13.6 billion, respectively, of such foreign currency forward exchange contracts.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. From the date of the borrowing through December 31, 2019, the value of this long-term debt decreased approximately $4 million to $546 million due to foreign exchange rate changes. The change in the value was recorded in Accumulated other comprehensive income (loss), net of tax. In March 2017, Abbott repaid its $479 million yen-denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2019 and 2018, to manage its exposure to changes in the fair value of fixed-rate debt. 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. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

In October 2018, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. As a part of the unwinding, Abbott paid approximately $90 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2018.

Note 13 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

In the second quarter of 2017, Abbott unwound approximately $1.5 billion in interest rate swaps relating to the 2.00% Note due in 2020 and the 2.55% Note due in 2022. The proceeds received were not significant.

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value — Assets			Fair Value — Liabilities		
(in millions)	2019	2018	Balance Sheet Caption	2019	2018	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$ 48	$ —	Deferred income taxes and other assets	$ —	$100	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	110	81	Other prepaid expenses and receivables	56	44	Other accrued liabilities
Others not designated as hedges	38	33	Other prepaid expenses and receivables	33	51	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	546	—	Long-term debt
	$196	$114		$635	$195	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2019	2018	2017	2019	2018	2017	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$ 9	$73	$(226)	$ 79	$(114)	$(48)	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	4	—	(25)	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	148	(97)	(24)	Interest expense

A gain of $75 million and losses of $100 million and $64 million were recognized in 2019, 2018 and 2017, respectively, related to foreign currency forward exchange contracts

not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps 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. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

Note 13 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

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. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2019		2018	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 836	$ 836	$ 856	$ 856
Other	47	47	41	41
Total Long-term debt	(17,938)	(20,772)	(19,366)	(19,871)
Foreign Currency Forward Exchange Contracts:				
Receivable position	148	148	114	114
(Payable) position	(89)	(89)	(95)	(95)
Interest Rate Hedge Contracts:				
Receivable position	48	48	—	—
(Payable) position	—	—	(100)	(100)

The fair value of the debt was determined based on significant other observable inputs, including current interest rates.

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

		Basis of Fair Value Measurement		
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2019:				
Equity securities	$ 357	$ 357	$ —	$ —
Interest rate swap derivative financial instruments	48	—	48	—
Foreign currency forward exchange contracts	148	—	148	—
Total Assets	$ 553	$ 357	$ 196	$ —
Fair value of hedged long-term debt	$2,890	$ —	$ 2,890	$ —
Foreign currency forward exchange contracts	89	—	89	—
Contingent consideration related to business combinations	68	—	—	68
Total Liabilities	$3,047	$ —	$ 2,979	$ 68
December 31, 2018:				
Equity securities	$ 320	$ 320	$ —	$ —
Foreign currency forward exchange contracts	114	—	114	—
Total Assets	$ 434	$ 320	$ 114	$ —
Fair value of hedged long-term debt	$2,743	$ —	$ 2,743	$ —
Interest rate swap derivative financial instruments	100	—	100	—
Foreign currency forward exchange contracts	95	—	95	—
Contingent consideration related to business combinations	71	—	—	71
Total Liabilities	$3,009	$ —	$ 2,938	$ 71

Note 13 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

Contingent consideration relates to businesses acquired by Abbott. The fair value of the contingent consideration was determined based on an independent appraisal adjusted for the time value of money and other changes in fair value. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately $470 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

Note 14 — Litigation and Environmental Matters

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. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $95 million to $130 million. The recorded accrual balance at December 31, 2019 for these proceedings and exposures was approximately $110 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 15 — Post-Employment Benefits

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	
(in millions)	2019	2018	2019	2018
Projected benefit obligations, January 1	$ 9,093	$ 9,953	$ 1,292	$1,393
Service cost — benefits earned during the year	250	293	23	26
Interest cost on projected benefit obligations	337	308	52	48
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	1,856	(1,044)	228	(106)
Benefits paid	(302)	(295)	(76)	(68)
Other, including foreign currency translation	4	(122)	37	(1)
Projected benefit obligations, December 31	$11,238	$ 9,093	$ 1,556	$1,292
Plan assets at fair value, January 1	$ 8,553	$ 9,298	$ 351	$ 419
Actual return (loss) on plans' assets	1,622	(450)	65	(20)
Company contributions	382	114	12	12
Benefits paid	(302)	(295)	(68)	(60)
Other, including foreign currency translation	22	(114)	—	—
Plan assets at fair value, December 31	$10,277	$ 8,553	$ 360	$ 351
Projected benefit obligations greater than plan assets, December 31	$ (961)	$ (540)	$(1,196)	$ (941)
Long-term assets	$ 687	$ 583	$ —	$ —
Short-term liabilities	(26)	(23)	(1)	(1)
Long-term liabilities	(1,622)	(1,100)	(1,195)	(940)
Net liability	$ (961)	$ (540)	$(1,196)	$ (941)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 4,131	$ 3,326	$ 529	$ 361
Prior service cost (credits)	(2)	(2)	(95)	(163)
Total	$ 4,129	$ 3,324	$ 434	$ 198

The projected benefit obligations for non-U.S. defined benefit plans was $3.3 billion and $2.7 billion at December 31, 2019 and 2018, respectively. The accumulated benefit obligations for all defined benefit plans were $10.2 billion and $8.3 billion at December 31, 2019 and 2018, respectively.

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2019 and 2018, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2019	2018
Accumulated benefit obligation	$1,985	$1,265
Projected benefit obligation	2,266	1,362
Fair value of plan assets	821	375

Note 15 — Post-Employment Benefits (Continued)

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2019	2018	2017	2019	2018	2017
Service cost — benefits earned during the year	$ 250	$ 293	$ 283	$ 23	$ 26	$ 25
Interest cost on projected benefit obligations	337	308	287	52	48	45
Expected return on plans' assets	(710)	(680)	(613)	(27)	(33)	(33)
Amortization of actuarial losses	132	205	163	22	33	23
Amortization of prior service cost (credits)	1	1	1	(32)	(45)	(45)
Total net cost	$ 10	$ 127	$ 121	$ 38	$ 29	$ 15

In 2017, Abbott recognized a $10 million curtailment gain related to the sale of AMO.

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of $944 million for defined benefit plans and a loss of $190 million for medical and dental plans in 2019; net actuarial losses of $86 million for defined benefit plans and a gain of $53 million for medical and dental plans in 2018; net actuarial losses of $247 million for defined benefit plans and $97 million for medical and dental plans in 2017. The change in net actuarial losses in 2019 primarily relates to lower discount rates at December 31, 2019 compared to December 31, 2018, partially offset by the impact of actual 2019 asset returns in excess of expected returns.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2019 that is expected to be recognized in the net periodic benefit cost in 2020 is $253 million and $1 million of expense, respectively, for defined benefit pension plans and $32 million of expense and $28 million of income, respectively, for medical and dental plans.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2019	2018	2017
Discount rate	3.0 %	4.0 %	3.4 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.4 %

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2019	2018	2017
Discount rate	4.0 %	3.4 %	3.9 %
Expected return on plan assets	7.5 %	7.7 %	7.6 %
Expected aggregate average long-term change in compensation	4.3 %	4.4 %	4.3 %

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2019	2018	2017
Health care cost trend rate assumed for the next year	9 %	9 %	9 %

Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2025	2025	2027

Note 15 — Post-Employment Benefits (Continued)

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. 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, 2019, by $221 million /$(179) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $12 million/$(9) million.

The following table summarizes the bases used to measure the defined benefit and medical and dental plan assets at fair value:

		Basis of Fair Value Measurement			
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at NAV (k)
December 31, 2019:					
Equities:					
U.S. large cap (a)	$ 2,873	$1,647	$ —	$ —	$ 1,226
U.S. mid and small cap (b)	648	548	4	2	94
International (c)	2,202	464	—	—	1,738
Fixed income securities:					
U.S. government securities (d)	562	52	357	—	153
Corporate debt instruments (e)	1,266	362	724	—	180
Non-U.S. government securities (f)	445	3	2	—	440
Other (g)	320	69	27	—	224
Absolute return funds (h)	1,557	424	—	—	1,133
Commodities (i)	32	—	—	1	31
Cash and Cash Equivalents	182	84	—	—	98
Other (j)	550	8	—	—	542
	$ 10,637	$3,661	$ 1,114	$ 3	$ 5,859
December 31, 2018:					
Equities:					
U.S. large cap (a)	$ 2,168	$1,319	$ 5	$ —	$ 844
U.S. mid and small cap (b)	515	226	—	—	289
International (c)	1,671	370	—	—	1,301
Fixed income securities:					
U.S. government securities (d)	476	51	269	—	156
Corporate debt instruments (e)	1,150	269	701	—	180
Non-U.S. government securities (f)	405	5	—	—	400
Other (g)	199	15	55	—	129
Absolute return funds (h)	1,684	448	—	—	1,236
Commodities (i)	59	—	—	4	55
Cash and Cash Equivalents	192	123	—	—	69
Other (j)	385	11	—	—	374
	$ 8,904	$2,837	$ 1,030	$ 4	$ 5,033

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

(c)

A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

Note 15 — Post Employment Benefits (Continued)

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Japan and Eurozone government bonds.

(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.

(h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

(i) Primarily investments in private energy funds.

(j) Primarily investments in private funds, such as private equity, private credit and private real estate.

(k) In accordance with ASU 2015-07, investments measured at fair value using the net asset value (NAV) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2019 and 2018. Fixed income securities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2019 and 2018. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 90 days. For approximately $235 million and $100 million of the absolute return funds, redemptions are subject to a 33 percent gate and a 25 percent gate, respectively, and $45 million is subject to a lock until 2022. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2020 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2019 and 2018 were not significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2020 to 2029. Abbott's unfunded commitment in these funds was $571 million and $518 million as of December 31, 2019 and 2018, respectively.

Note 15 — Post-Employment Benefits (Continued)

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $382 million in 2019 and $114 million in 2018 to defined pension plans. Abbott expects to contribute approximately $387 million to its pension plans in 2020.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2020	$ 315	$ 76
2021	325	78
2022	342	79
2023	360	80
2024	382	82
2025 to 2029	2,219	421

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $158 million in 2019, $146 million in 2018 and $79 million in 2017. The 2018 contributions include amounts related to participants of the St. Jude Medical Retirement Plan which was terminated in January 2018.

Note 16 — Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott completed its accounting for all of the enactment date income tax effects of the TCJA.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the FASB staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

Note 16 — Taxes on Earnings from Continuing Operations (Continued)

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities. In 2019, taxes on earnings from continuing operations include an $86 million reduction to the transition tax. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. This adjustment decreased the cumulative net tax expense related to the TCJA to $1.50 billion.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2019, the remaining balance of Abbott's transition tax obligation is approximately $1.33 billion, which will be paid over the next seven years as allowed by the TCJA.

In 2019, taxes on earnings from continuing operations included $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes on earnings from continuing operations include $435 million of tax expense related to the gain on the sale of the AMO business.

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2015 and the former St. Jude Medical consolidated group which are settled through 2013. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

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

(in millions)	2019	2018	2017
Earnings From Continuing Operations Before Taxes:			
Domestic	$ 889	$ (430)	$ 308
Foreign	3,188	3,303	1,923
Total	$ 4,077	$ 2,873	$ 2,231

Note 16 — Taxes on Earnings from Continuing Operations (Continued)

(in millions)	2019	2018	2017
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 291	$ (812)	$2,260
Foreign	590	606	508
Total current	881	(206)	2,768
Deferred:			
Domestic	(305)	832	(679)
Foreign	(186)	(87)	(211)
Total deferred	(491)	745	(890)
Total	$ 390	$ 539	$1,878

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

	2019	2018	2017
Statutory tax rate on earnings from continuing operations	21.0 %	21.0 %	35.0 %
Impact of foreign operations	(5.0)	(5.4)	(16.3)
Impact of TCJA and other related items	(2.1)	6.3	65.5
Foreign-derived intangible income benefit	(2.0)	(1.9)	—
Domestic impairment loss	—	(2.1)	—
Excess tax benefits related to stock compensation	(2.5)	(3.1)	(5.4)
Research tax credit	(1.2)	(1.8)	(1.9)
Resolution of certain tax positions pertaining to prior years	—	3.4	—
State taxes, net of federal benefit	0.8	0.4	0.5
Federal tax cost on sale of Mylan N.V. shares	—	—	3.4
All other, net	0.6	2.0	3.4
Effective tax rate on earnings from continuing operations	9.6 %	18.8 %	84.2 %

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore.

Note 16 — Taxes on Earnings from Continuing Operations (Continued)

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2019	2018
Deferred tax assets:		
Compensation and employee benefits	$ 982	$ 829
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,227	2,546
Trade receivable reserves	190	196
Inventory reserves	110	97
Lease liabilities	209	—
Deferred intercompany profit	259	203
Total deferred tax assets before valuation allowance	3,977	3,871
Valuation allowance	(978)	(1,363)
Total deferred tax assets	2,999	2,508
Deferred tax liabilities:		
Depreciation	(219)	(226)
Right of Use lease assets	(209)	—
Other, primarily the excess of book basis over tax basis of intangible assets	(3,107)	(3,557)
Total deferred tax liabilities	(3,535)	(3,783)
Total net deferred tax assets (liabilities)	$ (536)	$(1,275)

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	2019	2018
January 1	$1,120	$1,440
Decrease in tax positions due to acquisitions	—	(13)
Increase due to current year tax positions	137	164
Increase due to prior year tax positions	75	235
Decrease due to prior year tax positions	(117)	(611)
Settlements	(32)	(91)
Lapse of statute	(8)	(4)
December 31	$1,175	$1,120

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.07 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $220 million to $510 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 17 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world.

Beginning in the fourth quarter of 2019, the results of the Diabetes Care business, which had previously been included in Other, were aggregated with the results of the businesses in the Cardiovascular and Neuromodulation segment to comprise the Medical Devices reportable segment. Historic periods have been adjusted to reflect this change.

On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

Established Pharmaceutical Products—International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products—Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products—Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Rapid Diagnostics, Molecular Diagnostics and Point of Care divisions are aggregated and reported as the Diagnostic Products segment. Rapid Diagnostics is the business acquired from Alere.

Medical Devices — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart, neuromodulation and diabetes care products. For segment reporting purposes, the Cardiac Arrhythmias & Heart Failure, Vascular, Neuromodulation, Structural Heart and Diabetes Care divisions are aggregated and reported as the Medical Devices segment.

Non-reportable segments include AMO through the date of its sale in February 2017.

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. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

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 (a)			Operating Earnings (a)		
(in millions)	2019	2018	2017	2019	2018	2017
Established Pharmaceutical Products	$ 4,486	$ 4,422	$ 4,287	$ 904	$ 894	$ 848
Nutritional Products	7,409	7,229	6,925	1,705	1,652	1,589
Diagnostic Products	7,713	7,495	5,616	1,912	1,868	1,468
Medical Devices	12,239	11,370	10,325	3,769	3,500	3,011
Total Reportable Segments	31,847	30,516	27,153	$8,290	$7,914	$6,916
Other	57	62	237			
Total	$31,904	$30,578	$27,390			

(a)

Net sales were unfavorably affected by the relatively stronger U.S. dollar in 2019 and 2018. Operating earnings were unfavorably affected by the impact of foreign exchange in 2019, 2018 and 2017.

Note 17 — Segment and Geographic Area Information (Continued)

(in millions)	2019	2018	2017
Total Reportable Segment Operating Earnings	$ 8,290	$ 7,914	$ 6,916
Corporate functions and benefit plan costs	(468)	(618)	(506)
Net interest expense	(576)	(721)	(780)
Loss on extinguishment of debt	(63)	(167)	—
Share-based compensation	(519)	(477)	(406)
Amortization of intangible assets	(1,936)	(2,178)	(1,975)
Other, net (b)	(651)	(880)	(1,018)
Earnings from Continuing Operations Before Taxes	$ 4,077	$ 2,873	$ 2,231

(b) Other, net includes integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2019. Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2018. In 2017, Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business. Charges for restructuring actions and other cost reduction initiatives were approximately $215 million in 2019, $153 million in 2018 and $384 million in 2017.

	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
(in millions)	2019	2018	2017	2019	2018	2017	2019	2018	2017
Established Pharmaceuticals	$ 98	$ 92	$ 90	$ 109	$ 131	$ 181	$ 2,858	$ 2,664	$ 2,728
Nutritionals	139	150	164	141	86	147	3,274	3,071	3,160
Diagnostics	403	397	300	726	609	374	5,235	4,464	4,226
Medical Devices	266	294	338	532	408	276	6,640	5,886	5,799
Total Reportable Segments	906	933	892	1,508	1,234	978	$18,007	$16,085	$15,913
Other	172	167	154	160	160	157			
Total	$1,078	$1,100	$1,046	$1,668	$1,394	$1,135			

(c) Amounts exclude property, plant and equipment acquired through business acquisitions.

(in millions)	2019	2018	2017
Total Reportable Segment Assets	$18,007	$16,085	$15,913
Cash and investments	5,023	4,983	10,493
Goodwill and intangible assets	40,220	42,196	45,493
All other	4,637	3,909	4,351
Total Assets	$67,887	$67,173	$76,250

Note 17 — Segment and Geographic Area Information (Continued)

(in millions)	Net Sales to External Customers (d) 2019	2018	2017
United States	$11,398	$10,839	$ 9,673
China	2,346	2,311	2,146
Germany	1,751	1,619	1,366
Japan	1,435	1,326	1,255
India	1,397	1,333	1,237
Switzerland	1,068	1,005	841
The Netherlands	975	930	929
All Other Countries	11,534	11,215	9,943
Consolidated	$31,904	$30,578	$27,390

(d) Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2019 and 2018, long-lived assets totaled $10.2 billion and $8.7 billion, respectively, and in the United States such assets totaled $5.1 billion and $4.3 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Note 18 — Quarterly Results (Unaudited)

(in millions except per share data)	2019	2018
First Quarter		
Continuing Operations:		
Net Sales	$ 7,535	$ 7,390
Gross Profit	3,889	3,739
Earnings from Continuing Operations	672	409
Basic Earnings per Common Share	0.38	0.23
Diluted Earnings per Common Share	0.38	0.23
Net Earnings	672	418
Basic Earnings Per Common Share (a)	0.38	0.24
Diluted Earnings Per Common Share (a)	0.38	0.23
Second Quarter		
Continuing Operations:		
Net Sales	$ 7,979	$ 7,767
Gross Profit	4,217	3,923
Earnings from Continuing Operations	1,006	718
Basic Earnings per Common Share	0.57	0.41
Diluted Earnings per Common Share	0.56	0.40
Net Earnings	1,006	733
Basic Earnings Per Common Share (a)	0.57	0.42
Diluted Earnings Per Common Share (a)	0.56	0.41
Third Quarter		
Continuing Operations:		
Net Sales	$ 8,076	$ 7,656
Gross Profit	4,234	3,946
Earnings from Continuing Operations	960	552
Basic Earnings per Common Share	0.54	0.31
Diluted Earnings per Common Share	0.53	0.31
Net Earnings	960	563
Basic Earnings Per Common Share (a)	0.54	0.32
Diluted Earnings Per Common Share (a)	0.53	0.32
Fourth Quarter		
Continuing Operations:		
Net Sales	$ 8,314	$ 7,765
Gross Profit	4,397	4,086

Earnings from Continuing Operations	1,049	655
Basic Earnings per Common Share	0.59	0.37
Diluted Earnings per Common Share	0.59	0.37
Net Earnings	1,049	654
Basic Earnings Per Common Share (a)	0.59	0.37
Diluted Earnings Per Common Share (a)	0.59	0.37

(a) The sum of the four quarters of earnings per share for 2019 and 2018 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2019, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 90.

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

Brian B. Yoor
Executive Vice President, Finance and Chief Financial Officer

Robert E. Funck, Jr.
Senior Vice President, Finance and Controller

February 21, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of acquired in-process research & development intangible assets

Description of the Matter

As described in Note 8 to the consolidated financial statements, acquired in-process research & development ("IPR&D") intangible assets were approximately $1.3 billion at December 31, 2019. IPR&D intangible assets are assessed for impairment annually, or more frequently if impairment indicators suggest the fair value of the IPR&D intangible asset may be below its carrying value. Auditing the fair value estimate of IPR&D intangible assets is complex because the estimate involves making assumptions about the timing and amount of forecasted future net cash flows of the related IPR&D projects, as well as the risk associated with the forecasted future net cash flows. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IPR&D intangible asset impairment assessment, as well as its process for identification of events that indicate an IPR&D intangible asset may be impaired. This included controls over management's review of the valuation model and the significant assumptions (e.g., discount rate, projected research and development ("R&D") costs, probability of technical success, projected revenues and product profitability) used to develop

the prospective financial information (PFI).

To test the fair value of the Company's IPR&D intangible assets, our audit procedures included, among others, evaluating the Company's use of the income approach, testing the significant assumptions described above used to develop the prospective financial information and testing the completeness and accuracy of the underlying data. For example, we compared certain significant assumptions to current industry, market and economic trends, historical results of the Company's business and other guideline companies within the same industry and to other relevant factors. We performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair value of the IPR&D assets resulting from changes in the assumptions. We also involved our valuation specialists to assist in testing certain significant assumptions in the fair value estimate. In addition, to evaluate the probability of technical success, we considered the phase of development of the IPR&D project and the Company's history of obtaining regulatory approvals.

Income taxes – Unrecognized tax benefits

Description of the Matter

As described in Note 16 to the consolidated financial statements, unrecognized tax benefits were approximately $1.2 billion at December 31, 2019. Unrecognized tax benefits are assessed by management quarterly for identification and measurement, or more

frequently if there are any indicators suggesting change in unrecognized tax benefits. Assessing tax positions involves judgement including interpreting tax laws of multiple jurisdictions and assumptions relevant to the measurement of an unrecognized tax benefit, including the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority. These judgements and assumptions can significantly affect unrecognized tax benefits.

How We Addressed the Matter in our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of unrecognized tax benefits, as well as its process for the assessment of events that may indicate a change in unrecognized tax benefits is warranted. For example, we tested controls over management's review of the completeness of identified unrecognized tax benefits, as well as controls over management's review of significant assumptions used within the measurement of unrecognized tax benefits.

With the support of our tax professionals and valuation specialists, among other audit procedures performed, we evaluated the reasonableness of management's judgement with respect to the interpretation of tax laws of multiple jurisdictions by reading and evaluating management's documentation, including relevant accounting policies, and by considering how tax law, including statutes, regulations and case law, affected management's judgments. We tested the completeness of management's assessment of the identification of unrecognized tax benefits and possible outcomes related to it including evaluation of technical merits of the unrecognized tax benefits. We also tested appropriateness and consistency of management's methods and significant assumptions associated with the measurement of unrecognized tax benefits, including assessing the

estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Chicago, Illinois
February 21, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on Internal Control over Financial Reporting

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2020

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Miles D. White, and the Chief Financial Officer, Brian B. Yoor, evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 86 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 90 hereof.

Changes in internal control over financial reporting. During the quarter ended December 31, 2019, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2020 Abbott Laboratories Proxy Statement. The 2020 Proxy Statement will be filed on or about March 13, 2020. Also incorporated herein by reference is the text found under the caption, "Information About Our Executive Officers" on pages 15 through 18 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2020 Proxy Statement under the headings "2019 Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2020 Proxy Statement will be filed on or about March 13, 2020.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*.

The following table presents information as of December 31, 2019 about our compensation plans under which Abbott common shares have been authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	28,604,689	$ 49.59	139,875,984
Equity compensation plans not approved by security holders	0	—	0
Total (1)(2)	28,604,689	$ 49.59	139,875,984

(1) (i) *Abbott Laboratories 2009 Incentive Stock Program*. Benefits under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program") include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition

awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

(ii) *Abbott Laboratories 2017 Incentive Stock Program*. Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

(iii) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees*. Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the

above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2019, an aggregate of 12,650,941 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

(2) Not included in the table: *St. Jude Medical, Inc. Plans*. In 2017, in connection with the acquisition of St. Jude Medical, Inc., options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) were assumed by Abbott and converted into Abbott options of substantially equivalent value. As of December 31, 2019, 1,273,226 options remained outstanding under these plans. These options have a weighted average purchase price of $30.42. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 10 entitled "Incentive Stock Program" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" and "Information Concerning Security Ownership" in the 2020 Proxy Statement. The 2020 Proxy Statement will be filed on or about March 13, 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2020 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2020 Proxy Statement will be filed on or about March 13, 2020.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2020 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2020 Proxy Statement will be filed on or about March 13, 2020.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 43 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 of Abbott Laboratories:

(3) *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is set forth in Item 15(b) below.

(b) Exhibits filed.

10-K Exhibit Table Item No.		
2.1	*	Agreement and Plan of Merger dated as of January 30, 2016, among Alere Inc. and Abbott Laboratories, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated January 30, 2016.
2.2	*	Amendment to Agreement and Plan of Merger, dated as of April 13, 2017, among Alere Inc., Abbott Laboratories and Angel Sub, Inc., filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 14, 2017.
2.3	*	Agreement and Plan of Merger, dated as of April 27, 2016, by and among Abbott Laboratories, St. Jude Medical, Inc., Vault Merger Sub, Inc. and Vault Merger Sub, LLC, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 27, 2016.
2.4	*	Stock Purchase Agreement, dated as of September 14, 2016, by and between Abbott Laboratories and Chace LLC and, solely for certain purposes, Johnson & Johnson, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated September 14, 2016.
		Certain schedules and exhibits have been omitted from these filings pursuant to Item 601(b)(2) of Regulation S-K. Abbott will furnish supplemental copies of any such schedules or exhibits to the U.S. Securities and Exchange Commission upon request.
3.1	*	Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
3.2	*	By-Laws of Abbott Laboratories, as amended and restated effective November 12, 2019, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated November 13, 2019.

10-K Exhibit Table Item No.		
4.1	*	Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
4.2	*	Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
4.3	*	Form of $1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.4	*	Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.5	*	Form of $1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.6	*	Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.7	*	Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.8	*	Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.9	*	Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.10	*	Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.11	*	Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.12	*	Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.13	*	Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.14	*	Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.15	*	Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.

10-K Exhibit Table Item No.		
4.16	*	Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.17	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2016 Annual Report on Form 10-K.
4.18	*	Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.19	*	Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.20	*	Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.
4.21	†	Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.
4.22	†	Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
4.23	†	Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
4.24	†	Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.
4.25	*	Form of Seventh Supplemental Indenture between St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.3 to the Abbott Laboratories Registration Statement on Form S-4 dated February 21, 2017.
4.26	*	Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.27	*	First Supplemental Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and transfer agent, and Elavon Financial Services DAC, as registrar, filed as

Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.

10-K Exhibit Table Item No.		
4.28	*	Second Supplemental Indenture dated November 19, 2019, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, as paying agent, transfer agent and registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019.
4.29	*	Form of 0.000% Note due 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.30	*	Form of 0.875% Note due 2023 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.31	*	Form of 1.500% Note due 2026 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.32	*	Form of 0.100% Note due 2024 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).
4.33	*	Form of 0.375% Note due 2027 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 19, 2019).
		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.
4.34		Description of Registrant's Securities.
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	*	Abbott Laboratories Deferred Compensation Plan, as amended, filed as Exhibit 10.2 to the 2017 Abbott Laboratories Annual Report on Form 10-K.**
10.3	*	Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.4	*	Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.5	*	1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.6	*	1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.7	*	Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.8	*	Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.9	*	Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017).**
10.10	*	Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.11	*	Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**
10.12	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.13	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.14	*	Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.15	*	Form of Restricted Stock Unit Agreement (ratably vested), filed as Exhibit 10.37 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.16	*	Form of Restricted Stock Unit Agreement for foreign employees (ratably vested), filed as Exhibit 10.38 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.17	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based), filed as Exhibit 10.39 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.18	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.19	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based), filed as Exhibit 10.41 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.20	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.21	*	Form of Restricted Stock Unit Agreement (cliff vested), filed as Exhibit 10.43 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.22	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.23	*	Form of Restricted Stock Unit Agreement for foreign employees (cliff vested), filed as Exhibit 10.45 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.24	*	

Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.25	*	Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.26	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.27	*	Form of Restricted Stock Unit Agreement for Participants in France, filed as Exhibit 10.49 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.28	*	Form of Restricted Stock Agreement (ratably vested), filed as Exhibit 10.50 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.29	*	Form of Restricted Stock Agreement for executive officers (ratably vested), filed as Exhibit 10.51 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.30	*	Form of Performance Restricted Stock Agreement (annual performance based), filed as Exhibit 10.52 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.31	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.32	*	Form of Performance Restricted Stock Agreement (interim performance based), filed as Exhibit 10.54 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.33	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.34	*	Form of Restricted Stock Agreement (cliff vested), filed as Exhibit 10.56 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.35	*	Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.36	*	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.37	*	Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.38	*	Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.39	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.40	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.41	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.		
10.42	*	Form of Restricted Stock Unit Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.43	*	Form of Restricted Stock Unit Agreement for foreign employees (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.44	*	Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.45	*	Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.46	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.47	*	Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.48	*	Form of Restricted Stock Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.49	*	Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.50	*	Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.51	*	Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.52	*	Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.53	*	Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.54	*	Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.55	*	Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.56	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.57	*	Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.58	*	Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.59	*	Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.60	*	Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.61	*	Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.62	*	Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.63	*	Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.64	*	Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.65	*	Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.		
10.66	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.67	*	Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.68	*	Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.**
10.69	*	Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2020, filed as Exhibit 10.74 to the 2018 Abbott Laboratories Annual Report on Form 10-K.**
10.70	*	Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.**
10.71	†	St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.**
10.72	†	Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.**
10.73	†	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.74	†	Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.75		Management Savings Plan, as amended and restated.**
10.76	*	Five Year Credit Agreement, dated as of November 30, 2018, among Abbott Laboratories, various financial institutions, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.82 to the 2018 Abbott Laboratories Annual Report on Form 10-K.
21		Subsidiaries of Abbott Laboratories.
23.1		Consent of Independent Registered Public Accounting Firm.
31.1		Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).

10-K Exhibit Table Item No.	
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
	Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 21, 2020, formatted in Inline XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).

* Incorporated herein by reference.

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

† Incorporated herein by reference.

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

(c) Financial Statement Schedule filed (page 107*).*

ITEM 16. FORM 10-K SUMMARY

None.

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 21, 2020

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 21, 2020 in the capacities indicated below.

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

/s/ BRIAN B. YOOR
Brian B. Yoor
Executive Vice President,
Finance
and Chief Financial Officer
(principal financial officer)

/s/ ROBERT E. FUNCK, JR.
Robert E. Funck, Jr.
Senior Vice President, Finance
and Controller
(principal accounting officer)

/s/ ROBERT J. ALPERN, M.D.
Robert J. Alpern, M.D.
Director of Abbott
Laboratories

/s/ ROXANNE S. AUSTIN
Roxanne S. Austin
Director of Abbott
Laboratories

/s/ SALLY E. BLOUNT
Sally E. Blount, Ph.D.
Director of Abbott
Laboratories

/s/ ROBERT B. FORD
Robert B. Ford
President and Chief Operating
Officer, and
Director of Abbott
Laboratories

/s/ MICHELLE A. KUMBIER
Michelle A. Kumbier
Director of Abbott
Laboratories

/s/ EDWARD M. LIDDY
Edward M. Liddy
Director of Abbott
Laboratories

/s/ DARREN W. MCDEW
Darren W. McDew
Director of Abbott
Laboratories

/s/ NANCY MCKINSTRY
Nancy McKinstry
Director of Abbott
Laboratories

/s/ PHEBE N. NOVAKOVIC
Phebe N. Novakovic
Director of Abbott
Laboratories

/s/ WILLIAM A. OSBORN
William A. Osborn
Director of Abbott
Laboratories

/s/ SAMUEL C. SCOTT III
Samuel C. Scott III
Director of Abbott
Laboratories

/s/ DANIEL J. STARKS
Daniel J. Starks
Director of Abbott
Laboratories

/s/ JOHN G. STRATTON
John G. Stratton

/s/ GLENN F. TILTON
Glenn F. Tilton

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2019	$ 314	$ 137	$ (68)	$ 384
2018	294	110	(90)	314
2017	250	105	(61)	294

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2019 and 2018, for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 21, 2020 (included elsewhere in this Annual Report on Form 10-K). Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K (the "schedule"). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2020

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

FORM 10-K

(MARK ONE)

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

OR

o

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

For the fiscal year ended December 31, 2018 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation	**36-0698440**
	(I.R.S. employer identification number)
100 Abbott Park Road	**(224) 667-6100**
Abbott Park, Illinois 60064-6400	(telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	New York Stock Exchange Chicago Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý **No o**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes o **No ý**

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

Yes ý **No o**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ý **No o**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý	**Accelerated Filer o**	**Non-Accelerated Filer o**	**Smaller reporting company o** **Emerging growth company o**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No ý

The aggregate market value of the 1,710,210,374 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2018), was $104,305,730,710. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2019: 1,756,470,269

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2019 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 15, 2019.

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.

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Cardiovascular and Neuromodulation Products.

On October 3, 2017, Abbott completed the acquisition of Alere, Inc., a diagnostic device and service provider, for an aggregate consideration of approximately $4.5 billion in cash.

On February 27, 2017, Abbott completed the sale of Abbott Medical Optics, its vision care business, to Johnson & Johnson for $4.325 billion in cash.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc., a global medical device manufacturer. Based on the closing Abbott share price on January 4, 2017, the aggregate implied value of the consideration paid in connection with the acquisition was approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon™, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal™ and Dicetel®, for the treatment of

irritable bowel syndrome or biliary spasm; Heptral™, Transmetil®, and Samyr®, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac™, for regulation of the physiological rhythm of the colon;

- women's health products, including Duphaston™, for the treatment of many different gynecological disorders; and Femoston™, a hormone replacement therapy for postmenopausal women;

- cardiovascular and metabolic products, including Lipanthyl™ and TriCor®, for the treatment of dyslipidemia; Teveten™ and Teveten™ Plus, for the treatment of essential hypertension, and Physiotens™, for the treatment of hypertension; and Synthroid™, for the treatment of hypothyroidism;

- pain and central nervous system products, including Serc™, for the treatment of Ménière's disease and vestibular vertigo; Brufen™, for the treatment of pain, fever, and inflammation, and Sevedol®, for the treatment of severe migraines; and

- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin®, Klacid™, and Klaricid™); and Influvac™, an influenza vaccine.

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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.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building a strong brand with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors may increase competitive pressures.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion, including the Alinity® family of instruments, ARCHITECT®, ABBOTT PRISM®, and Cell-Dyn®, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, and therapeutic drug monitoring;

- molecular diagnostics systems, including the m2000™ , an instrument that automates the extraction, purification, and preparation of DNA and RNA from patient samples, and detects and measures infectious agents including HIV, HBV, HCV, HPV, and CT/NG; and the Vysis® FISH product line of genomic-based tests;

- point of care systems, including the i-STAT® and next-generation i-STAT® Alinity® and cartridges for blood analysis;

- rapid diagnostics systems in the areas of infectious disease, including respiratory illness such as influenza, HIV, and tropical diseases such as malaria and dengue fever; molecular point-of-care testing for HIV, including the m-PIMA™ HIV-1/2 Viral Load Test, and for influenza A & B, RSV and strep A, including the ID NOW™ rapid molecular system; cardiometabolic testing, including Afinion® and Cholestech™ platforms and tests; a toxicology business for drug and alcohol testing; and remote patient monitoring and consumer self-testing; and

- informatics and automation solutions for use in laboratories, including laboratory automation systems, the RALS point of care solution, and AlinIQ™, a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 or regulatory changes. Although Abbott has benefited from technological

advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

- various forms of prepared infant formula and follow-on formula, including Similac®, Similac Pro-Advance®, Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive®, Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac®, Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Similac Total Comfort®, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain™, Grow™, Similac En Mei Li™, and Eleva™;

- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure® Max Protein, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound®, Pedialyte® and Zone Perfect®; and

- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain™, Grow™, Eleva™, PediaSure®, PediaSure SideKicks®, Pedialyte®, Ensure®, Zone Perfect®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets where appropriate.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Cardiovascular and Neuromodulation Products

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, as well as neuromodulation devices for the management of chronic pain and movement disorders. These products are manufactured, marketed and sold worldwide. In the United States, these products are generally marketed and sold directly to hospitals, ambulatory surgery centers, 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.

The principal products included in the Cardiovascular and Neuromodulation Products segment are:

- rhythm management products, including Assurity MRI® and Endurity MRI® pacemaker systems; Ellipse® and Fortify Assura® implantable cardioverter defibrillators and Quadra Assura MP® implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint® Pacing technology;

- electrophysiology products, including the TactiCath® family of ablation catheters and FlexAbility® irrigated ablation catheters; Ampere® RF ablation generator; and EnSite Precision® cardiac

mapping system; Confirm Rx® implantable cardiac monitor; and the Advisor® HD Grid mapping catheter;

- heart failure related products, including the HeartMate™ left ventricular device family and the CardioMEMS® HF System pulmonary artery sensor, a heart failure monitoring system;

- vascular products, including the XIENCE™ family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE® and Perclose ProGlide® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal II® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/ Emboshield NAV6®, carotid stent systems; and the OPTIS® integrated system with the Dragonfly OPTIS® imaging catheter and PressureWire® fractional flow reserve measurement systems;

- structural heart products, including MitraClip®, a percutaneous mitral valve repair system; Trifecta® Valve with Glide™ Technology, a surgical tissue heart valve; Portico® transcatheter aortic heart valve, Regent™ mechanical heart valve, and AMPLATZER® PFO occluders; and

- neuromodulation products, including spinal cord stimulators Proclaim™ Elite Recharge-free IPG and Prodigy MRI® IPG, both with BurstDR® stimulation, and Proclaim® DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the Infinity® Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

The Cardiovascular and Neuromodulation Products segment's products are subject to competition in technological innovation, price, convenience of use, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Other Products

The principal products in Abbott's other businesses include continuous glucose and blood glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand such as the FreeStyle Libre® system. These products are marketed worldwide and generally sold directly to wholesalers, government agencies, private health care organizations, health care facilities, mail order pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Some of these products are also marketed and distributed through distributors. Blood and continuous glucose monitoring systems are also marketed and sold to consumers. These products are subject to regulatory changes and competition in technological innovation, price, convenience of use, service, and product performance.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

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 countries of interest to Abbott. Abbott owns or has licenses 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 4. These, and various patents which expire during the period 2019 to 2039, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

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 2018 were not material and are not expected to be material in 2019.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation 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 approximately 103,000 people as of December 31, 2018.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing

services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Administration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's home monitoring services and related products and laboratories that provide Abbott and third-party medical devices to consumers in the United States are subject to additional federal, state, and local laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations substantially increase the time, difficulty, and costs incurred in obtaining and maintaining approval to market newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future.

In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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 the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Other payment methodology changes have been proposed and

implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act establishes a new payment system for clinical laboratory tests, which became effective on January 1, 2018.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the Affordable Care Act), imposed an excise tax on Abbott and other medical device manufacturers and importers. The excise tax was subsequently suspended from January 1, 2016 through December 31, 2017 as part of the Consolidated Appropriations Act of 2016. In January 2018, the excise tax was suspended for an additional two years.

The Affordable Care Act also includes provisions known as the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. In October 2018, the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act significantly expanded the types of healthcare providers for which reporting is required, beginning with reports filed in 2022. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes, including potential modification or repeal of all or parts of the Affordable Care Act, or implementation of new health care legislation, could result in significant changes to the health care system.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information and financial information), is increasing. For example, the European Union has enacted stricter data protection laws, which took effect in 2018, that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the U.S. Food and Drug Administration has issued further guidance concerning cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the marketing, manufacture, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect access to health care products and services, increase rebates, reduce

prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission. These reports and other information are also available, free of charge, at www.sec.gov.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (*www.abbottinvestor.com*).

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the U.S. Food and Drug Administration (FDA) and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug, medical device, or diagnostic product can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been

obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

Changes in the health care regulatory environment may adversely affect Abbott's business.

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to our products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services and establish certain fees for the medical device industry. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

Abbott has incurred and assumed significant indebtedness, which has increased consolidated interest expense and could decrease business flexibility.

Abbott incurred and assumed significant indebtedness in connection with the 2017 acquisitions of St. Jude Medical and Alere. As of December 31, 2018, Abbott's consolidated indebtedness was approximately $19.6 billion. This consolidated indebtedness increased Abbott's

consolidated interest expense and could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control.

Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit rating. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

Abbott depends on sophisticated information technology systems and maintains protected personal data, and a cyber attack or other breach affecting these information technology systems or protected data could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott also collects, manages and processes protected personal data, including protected health information, in connection with certain medical products and service offerings. For additional information concerning data privacy and security regulation, see the discussion in "Regulation" under Item 1, "Business." A breach of protected personal information could result in adverse consequences, including regulatory inquiries or litigation, increased costs and expenses, reputational damage, lost revenue, and fines or penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Any significant attack or other disruption on Abbott's systems or products could have a material adverse effect on Abbott's business.

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other companies, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the

extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A risk of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from its competitors' products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a lot or batch of product, those products may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause,

similar losses with respect to other lots, batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for or injury to patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2018 made up approximately 65 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review — Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2018 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 12 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of

sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2018 made up approximately 65 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

- differing local product preferences and product requirements;
- trade protection measures, including tariffs, import or export licensing requirements, and changes to international trade agreements;
- difficulty in establishing, staffing, and managing operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including sovereign debt issues;
- restrictions on local currency conversion and/or cash extraction;
- price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;
- inflation, recession, and fluctuations in interest rates;
- diminished protection of intellectual property; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling, source and use laws, and environmental laws;

- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;

- changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;

- changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;

- changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; widespread outbreaks of infectious diseases, the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;

- changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;

- changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and

- legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2018, Abbott owned or leased properties totaling approximately 42 million square feet, of which approximately 70% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 94 manufacturing facilities globally. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Cardiovascular and Neuromodulation Products	25
Diagnostic Products	23
Established Pharmaceutical Products	30
Nutritional Products	14
Non-Reportable	2
Worldwide Total	94

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries, including China, Colombia, India, Singapore, Spain, and the United Kingdom.

There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations. 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 resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of Abbott are elected annually by the board of directors. All other officers are 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.

Abbott's executive officers, their ages as of February 22, 2019, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any corporate officers or directors.

Miles D. White, 63

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

Elected Corporate Officer — 1993.

Robert B. Ford, 45

2018 to present — President and Chief Operating Officer.

2015 to 2018 — Executive Vice President, Medical Devices.

2014 to 2015 — Senior Vice President, Diabetes Care.

2008 to 2014 — Vice President, Diabetes Care, Commercial Operations.

Elected Corporate Officer — 2008.

Hubert L. Allen, 53

2013 to present — Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer — 2012.

Brian J. Blaser, 54

2012 to present — Executive Vice President, Diagnostics Products.

Elected Corporate Officer — 2008.

John M. Capek, 57

2015 to present — Executive Vice President, Ventures.

2007 to 2015 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2006.

Stephen R. Fussell, 61

2013 to present — Executive Vice President, Human Resources.

Elected Corporate Officer — 1999.

Andrew H. Lane, 48

2017 to present — Executive Vice President, Established Pharmaceuticals.

2015 to 2017 — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2015 — Divisional Vice President, Established Pharmaceuticals, Asia Pacific.

2011 to 2014 — Vice President, Asia Pacific, Takeda Pharmaceutical Company Limited (a Japanese pharmaceutical company).

Elected Corporate Officer — 2015.

Daniel Salvadori, 40

2017 to present — Executive Vice President, Nutritional Products.

2014 to 2017 — Senior Vice President, Established Pharmaceuticals, Latin America.

2013 to 2014 — Chief Executive Officer, Latin America, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

Elected Corporate Officer — 2014.

Brian B. Yoor, 49

2017 to present — Executive Vice President, Finance and Chief Financial Officer.

2015 to 2017 — Senior Vice President, Finance and Chief Financial Officer.

2013 to 2015 — Vice President, Investor Relations.

Elected Corporate Officer — 2013.

Roger M. Bird, 62

2015 to present — Senior Vice President, U.S. Nutrition.

2009 to 2015 — Divisional Vice President and General Manager, China and Hong Kong, Nutritional Products.

Elected Corporate Officer — 2015.

Sharon J. Bracken, 48

2017 to present — Senior Vice President, Rapid Diagnostics.

2013 to 2017 — Vice President, Diagnostics, Abbott Point of Care.

Elected Corporate Officer — 2013.

Charles R. Brynelsen, 62

2017 to present — Senior Vice President, Abbott Vascular.

2016 to 2017 — Managing Director, CB Business Advisors, Inc. (a medical device consulting firm).

2015 to 2016 — Senior Vice President and President, Medtronic Early Technologies, Medtronic plc (a global medical device company).

2013 to 2015 — President, Early Technologies, Covidien plc (a global healthcare products company).

Elected Corporate Officer — 2017.

Jaime Contreras, 62

2013 to present — Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

Elected Corporate Officer — 2003.

Robert E. Funck, 57

2018 to present — Senior Vice President, Finance and Controller.

2013 to 2018 — Vice President, Controller.

Elected Corporate Officer — 2005.

Sammy Karam, 57

2019 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2019 — Divisional Vice President, Global Marketing Commercial Execution, Established Pharmaceuticals.

2010 to 2014 — Regional Director Southern Europe, Russia, Ukraine, CIS, Australia and New Zealand, Omega Pharma NV (a Belgian healthcare products company).

Elected Corporate Officer — 2019.

Joseph Manning, 50

2017 to present — Senior Vice President, International Nutrition.

2015 to 2017 — Vice President, Nutrition, Asia Pacific.

2014 to 2015 — General Manager, Indonesia, Nutritional Products.

2009 to 2014 — General Manager, Russia, Nutritional Products.

Elected Corporate Officer — 2015.

Michael J. Pederson, 57

2017 to present — Senior Vice President, CRM and AF/EP.

2015 to 2017 — Divisional Vice President and General Manager, Abbott Electrophysiology.

2011 to 2015 — Chief Executive Officer, VytronUS, Inc. (a medical device company focused on developing electrophysiology technologies).

Elected Corporate Officer — 2017.

Jared L. Watkin, 51

2015 to present — Senior Vice President, Diabetes Care.

2010 to 2015 — Divisional Vice President, Technical Operations, Diabetes Care.

Elected Corporate Officer — 2015.

Alejandro D. Wellisch, 44

2017 to present — Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

2012 to 2014 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

Elected Corporate Officer — 2017.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange under the symbol "ABT." Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

Shareholders

There were 42,827 shareholders of record of Abbott common shares as of December 31, 2018.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2018.

If you have any questions, please contact your tax advisor.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2018 —	0 (1)	—	0	$ 925,131,209 (2)

October 31, 2018				
November 1, 2018 — November 30, 2018	13,140	(1) $ 68.580	0	$ 925,131,209 (2)
December 1, 2018 — December 31, 2018	1,886,483	(1) $ 68.856	1,886,483	$ 795,235,049 (2)
Total	1,899,623	(1) $ 68.854	1,886,483	$ 795,235,049 (2)

(1) These shares include:

(i) the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options — 0 in October, 812 in November, and 0 in December; and

(ii) the shares purchased on the open market for the benefit of participants in the Abbott Laboratories, Limited Employee Stock Purchase Plan — 0 in October, 12,328 in November, and 0 in December.

These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On September 11, 2014, Abbott announced that its board of directors approved the purchase of up to $3 billion of its common shares, from time to time.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Net sales (1)	$ 30,578	$ 27,390	$ 20,853	$ 20,405	$ 20,247
Earnings from continuing operations (1)	2,334	353	1,063	2,606	1,721
Net earnings	2,368	477	1,400	4,423	2,284
Basic earnings per common share from continuing operations (1)	1.32	0.20	0.71	1.73	1.13
Basic earnings per common share	1.34	0.27	0.94	2.94	1.50
Diluted earnings per common share from continuing operations (1)	1.31	0.20	0.71	1.72	1.12
Diluted earnings per common share	1.33	0.27	0.94	2.92	1.49
Total assets	67,173	76,250	52,666	41,247	41,207
Long-term debt, including current portion	19,366	27,718	20,684	5,874	3,448
Cash dividends declared per common share	1.16	1.075	1.045	0.98	0.90

(1) Amounts reflect Abbott's developed markets branded generics pharmaceuticals, animal health and former research-based pharmaceuticals business as discontinued operations.

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

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are cardiovascular and neuromodulation products, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 65 percent of consolidated net sales.

Over the last several years, Abbott proactively shaped the company with the strategic intent to deliver sustainable growth in all of its businesses. Significant steps over the last three years included:

- In January 2017, Abbott acquired St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, Abbott assumed, repaid or refinanced approximately $5.9 billion of St. Jude Medical's debt. The acquisition provided expanded opportunities for future growth and is an important part of the company's effort to develop a strong, diverse portfolio. The combined business competes in nearly every area of the $30 billion global cardiovascular device market, as well as in neuromodulation which treats chronic pain and movement disorders.

- In October 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott also tendered for Alere's preferred shares for a total value of approximately $0.7 billion and assumed and subsequently repaid approximately $3.0 billion of Alere's debt. The acquisition established Abbott as a leader in point of care testing, expanded Abbott's global diagnostics presence and provided access to new products, channels and geographies.

- In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash and recognized an after-tax gain of $728 million. The operating results of AMO were included in Earnings from Continuing Operations up to the date of sale as the business did not qualify for reporting as discontinued operations.

The sales increase over the last three years reflects both the 2017 acquisitions of St. Jude Medical and Alere and volume growth across Abbott's businesses, most notably in the Established Pharmaceuticals, Diabetes Care and Diagnostics businesses. Volume growth reflects the introduction of new products as well as higher sales of existing products. In 2017, the acquisitions of St. Jude Medical and Alere, partially offset by the sale of AMO, contributed 26.5 percentage points of Abbott's total sales growth versus 2016. Sales in emerging markets, which represent approximately 40 percent of total company sales, increased 12.3 percent in 2018

and 13.9 percent in 2017, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was positively impacted by margin improvements across various businesses, including Established Pharmaceuticals, Core Laboratory, and Diabetes Care, partially offset by higher amortization and other costs associated with the acquisitions. In 2018, Abbott's operating margin increased by approximately 6 percentage points primarily due to operating margin improvement in various businesses and lower inventory step-up amortization and integration costs associated with the acquisitions, partially offset by higher intangible amortization. In 2017, Abbott's

operating margin decreased by approximately 9 percentage points primarily due to costs associated with the acquisitions, including higher intangible amortization expense, inventory step-up amortization and integration costs, partially offset by operating margin improvement in various businesses.

Since the beginning of the first quarter of 2017, the results of Abbott's Cardiovascular and Neuromodulation Products segment include Abbott's historical Vascular Products segment and St. Jude Medical from the date of acquisition. Excluding the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment increased 4.9 percent in 2018 and 207.4 percent in 2017. The sales increase in 2018 was driven primarily by higher Structural Heart, Electrophysiology, and Neuromodulation sales. The sales increase in 2017 was driven by the acquisition of St. Jude Medical. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment were essentially unchanged in 2017 versus the prior year. In 2017, higher structural heart and endovascular sales were offset by lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement in Abbott's vascular business.

In 2018, operating earnings for this segment increased 9.9 percent. The operating margin profile declined from 35.8 percent of sales in 2016 to 31.7 percent in 2018 primarily due to the mix of business resulting from the acquisition of St. Jude Medical and ongoing pricing pressures in the coronary business. Cost improvement initiatives contributed to an improvement in the operating margin profile from 30.5 percent in 2017 to 31.7 percent in 2018.

In 2018, the Cardiovascular and Neuromodulation Products segment received approval or clearance from the U.S. Food and Drug Administration (FDA) for the following products:

- the Advisor® HD Grid Mapping Catheter, Sensor Enabled™ , which creates highly detailed maps of the heart and expands Abbott's electrophysiology product portfolio,
- the next-generation version of Abbott's leading MitraClip® heart valve repair device,
- the HeartMate 3® Left Ventricular Assist Device (LVAD) as a destination (long-term use) therapy, and
- the XIENCE Sierra® Drug Eluting Stent System, which is the next generation of its drug-eluting coronary stent system. The XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October 2017, as well as continued market penetration by the core laboratory business in the U.S. and internationally. Alere's results are included in Abbott's Diagnostic Products reportable segment from the date of acquisition. Worldwide diagnostic sales increased 33.6 percent in 2018 and 16.7 percent in 2017, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment increased 6.5 percent in 2018 and 5.5 percent in 2017. This growth includes the continued roll-out of Alinity®, which is Abbott's integrated family of next-generation diagnostic systems and solutions that are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results. Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments for clinical chemistry and immunoassay diagnostics, respectively. In 2018, Abbott accelerated the launch of

Alinity in Europe and other international markets after a broad range of assays obtained regulatory approval and were added to the test menu. Abbott also continued the roll-out of "Alinity s" for blood and plasma screening.

Margin improvement continued to be a key focus for the Diagnostics business in 2018 and 2017. While operating margins of 24.9 percent of sales in 2018 have remained relatively unchanged from the 24.8 percent of sales reported in 2016, this reflects dilution to the operating margin profit from the

acquisition of Alere and the negative impact of foreign exchange, offset by the continued execution of efficiency initiatives in the manufacturing and supply chain functions.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets, as well as by numerous new product introductions that leveraged Abbott's strong brands. In 2018, excluding the impact of foreign exchange, the nutritional business experienced above-market growth in the worldwide pediatric business driven by market leading brands Similac® and Pedialyte® in the U.S. as well as growth across several markets in Asia. Worldwide, adult nutrition sales increased in 2018 led by the growth of Ensure®, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand.

In 2017, the nutritionals business experienced growth in the U.S. driven by above-market performance in Abbott's infant and toddler brands. Internationally, 2017 sales growth in China and India was partially offset by challenging market conditions in the infant formula market in various emerging markets. With respect to the profitability of the nutritional products business, manufacturing and distribution process changes, as well as other cost reductions, drove margin improvements across the business over the last three years although such improvements were offset by inflation on commodity costs. The decrease in operating margins for this business from 24.1 percent of sales in 2016 to 22.9 percent in 2018 was primarily due to negative impact of foreign exchange.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 7.0 percent in 2018 and 9.5 percent in 2017. The sales increase in 2018 was driven by double-digit growth in India and China. The sales increase in 2017 was primarily driven by double-digit growth in China and various countries in Latin America. Operating margins increased from 18.7 percent of sales in 2016 to 20.2 percent in 2018 primarily due to the continued focus on cost reduction initiatives.

In its diabetes business, Abbott received U.S. FDA approval for its FreeStyle Libre® 14 day sensor, making it the longest lasting wearable glucose sensor available. The FreeStyle Libre system is the only continuous glucose monitoring system that does not require any user calibration.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased from approximately $9.0 billion at December 31, 2015 to $27.9 billion at December 31, 2017. At the beginning of 2018, Abbott committed to reducing its debt levels and in 2018 Abbott repaid approximately $8.3 billion of debt, net of borrowings, bringing its total debt to $19.6 billion.

Abbott declared dividends of $1.16 per share in 2018 compared to $1.075 per share in 2017, an increase of approximately 8 percent. Dividends paid totaled $1.974 billion in 2018 compared to $1.849 billion in 2017. The year-over-year change in the amount of dividends paid reflects the increase in the dividend rate. In December 2018, Abbott increased the company's quarterly dividend by approximately 14 percent to $0.32 per share from $0.28 per share, effective with the dividend paid in February 2019.

In 2019, Abbott will focus on continuing to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the cardiovascular and neuromodulation business, Abbott will continue to focus on expanding its market position in various areas including electrophysiology, heart failure, and structural heart. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of several new science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth

of its portfolio in emerging markets. In its diabetes care business, Abbott will focus on driving continued market adoption of its FreeStyle Libre continuous glucose monitoring system.

Critical Accounting Policies

Sales Rebates — In 2018, approximately 45 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2018 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2018, 2017 and 2016 amounted to approximately $3.0 billion, $2.8 billion and $2.5 billion, respectively, or 19.0 percent, 20.5 percent and 22.9 percent of gross sales, respectively, based on gross sales of approximately $16.0 billion, $13.9 billion and $10.7 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $160 million in 2018. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $175 million, $166 million and $160 million for cash discounts in 2018, 2017 and 2016, respectively, and $191 million, $204 million and $242 million for returns in 2018, 2017 and 2016, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2018, Abbott had WIC business in 27 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2014 and the former St. Jude Medical consolidated group which are settled through 2013. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2018, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of $3.3 billion and $198 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 14 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2018, goodwill amounted to $23.3 billion and net intangibles amounted to $18.9 billion. Amortization expense in continuing operations for intangible assets amounted to $2.2 billion in 2018, $2.0 billion in 2017

and $550 million in 2016. There was no significant reduction of goodwill relating to impairments in 2018, 2017 and 2016.

Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $125 million to $165 million for its legal proceedings and environmental exposures. Accruals of approximately $145 million have been recorded at December 31, 2018 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

	Total % Change	Components of % Change			
		Business Acquisitions/ Divestitures	Price	Volume	Exchange
Total Net Sales					
2018 vs. 2017	11.6	4.9	(1.0)	8.1	(0.4)
2017 vs. 2016	31.3	26.5	(0.6)	5.1	0.3
Total U.S.					
2018 vs. 2017	12.1	8.0	(1.1)	5.2	—
2017 vs. 2016	49.1	46.9	(0.9)	3.1	—
Total International					
2018 vs. 2017	11.4	3.2	(1.0)	9.7	(0.5)
2017 vs. 2016	23.3	17.3	(0.4)	6.0	0.4
Established Pharmaceutical Products Segment					
2018 vs. 2017	3.2	—	2.2	4.8	(3.8)
2017 vs. 2016	11.1	—	2.3	7.2	1.6

Nutritional Products Segment					
2018 vs. 2017	4.4	—	0.2	4.7	(0.5)
2017 vs. 2016	0.4	—	0.3	0.3	(0.2)
Diagnostic Products Segment					
2018 vs. 2017	33.5	27.1	(2.0)	8.5	(0.1)
2017 vs. 2016	16.7	11.2	(1.1)	6.6	—
Cardiovascular and Neuromodulation Products Segment					
2018 vs. 2017	5.9	—	(2.8)	7.7	1.0
2017 vs. 2016	207.7	207.2	(4.3)	4.5	0.3

The increase in Total Net Sales in 2018 reflects the acquisition of Alere, as well as volume growth across all of Abbott's businesses. The increase in Total Net Sales in 2017 reflects the acquisitions of St. Jude Medical and Alere, as well as volume growth in the established pharmaceuticals and diagnostics businesses. The price declines related to the Cardiovascular and Neuromodulation Products segment in 2018 and 2017 primarily reflect pricing pressure on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2018	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —				
Key Emerging Markets	$ 3,363	2 %	(5) %	7 %
Other	1,059	8	2	6
Nutritionals —				
International Pediatric Nutritionals	2,254	7	—	7
U.S. Pediatric Nutritionals	1,843	4	—	4
International Adult Nutritionals	1,900	7	(1)	8
U.S. Adult Nutritionals	1,232	(2)	—	(2)
Diagnostics —				
Core Laboratory	4,386	8	—	8
Molecular	484	5	1	4
Point of Care	553	—	—	—
Rapid Diagnostics	2,072	n/m	n/m	n/m

Cardiovascular and Neuromodulation —				
Rhythm Management	2,091	(1)	1	(2)
Electrophysiology	1,668	21	1	20
Heart Failure	646	—	—	—
Vascular	2,929	1	1	—
Structural Heart	1,239	14	1	13
Neuromodulation	864	7	—	7

(dollars in millions)	**2017**	**Total Change**	**Impact of Exchange**	**Total Change Excl. Exchange**
Total Established Pharmaceuticals —				
Key Emerging Markets	$ 3,307	14 %	2 %	12 %
Other	980	3	1	2
Nutritionals —				
International Pediatric Nutritionals	2,112	(4)	—	(4)
U.S. Pediatric Nutritionals	1,777	6	—	6
International Adult Nutritionals	1,782	3	(1)	4

U.S. Adult Nutritionals	1,254	(3)	—	(3)
Diagnostics —				
Core Laboratory	4,063	6	—	6
Molecular	463	2	1	1
Point of Care	550	7	—	7
Rapid Diagnostics	540	n/m	n/m	n/m
Cardiovascular and Neuromodulation —				
Rhythm Management	2,103	n/m	n/m	n/m
Electrophysiology	1,382	n/m	n/m	n/m
Heart Failure	643	n/m	n/m	n/m
Vascular	2,892	14	—	14
Structural Heart	1,083	208	1	207
Neuromodulation	808	n/m	n/m	n/m

n/m = percent change is not meaningful.

Note: In order to compute results excluding the impact of exchange rates, current year U.S. dollar sales are multiplied or divided, as appropriate, by the current year average foreign exchange rates and then those amounts are multiplied or divided, as appropriate, by the prior year average foreign exchange rates.

Total Established Pharmaceutical Products sales increased 7.0 percent in 2018 and 9.5 percent in 2017, excluding the impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 7.4 percent in 2018 and 11.9 percent in 2017. Excluding the impact of foreign exchange, 2018 sales in India and China and 2017 sales in China and various countries in Latin America experienced double-digit growth. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 5.8 percent in 2018 and 2.2 percent in 2017. The 2017 sales growth for Established Pharmaceuticals' other emerging markets includes the unfavorable impact of Venezuelan operations. Excluding Venezuela and the effect of foreign exchange, sales in other emerging markets increased 7.5 percent in 2017.

Total Nutritional Products sales increased 4.9 percent in 2018 and 0.6 percent in 2017, excluding the unfavorable impact of foreign exchange. The increases in 2018 and 2017 U.S. Pediatric Nutritional sales primarily reflect continued above-market performance in Abbott's infant and toddler brands, including Similac and Pedialyte. 2018 International Pediatric Nutritional sales increased primarily due to growth in Asia and Latin America. The 2017 decrease in International Pediatric Nutritional sales was driven by challenging market conditions in the infant formula market in various emerging markets, partially offset by growth in China and India.

The 2018 sales increase in the International Adult Nutritional business was led by growth of Ensure, Abbott's market-leading complete and balanced nutrition brand, and Glucerna, Abbott's market-leading diabetes-specific nutrition brand in Asia and Latin America. U.S. Adult Nutritional business sales decreased in 2018 primarily driven by the wind down of a non-core product line. Excluding the unfavorable impact of foreign exchange, the 2017 increase in International Adult Nutritional sales was due primarily to growth in Ensure, as well as volume growth in emerging markets and continued expansion of the adult nutrition category internationally. U.S. Adult Nutritional revenues decreased in 2017 due to competitive and market dynamics.

Total Diagnostic Products sales increased 33.6 percent in 2018 and 16.7 percent in 2017, excluding the impact of foreign exchange. The sales increases in 2018 and 2017 included the acquisition of Alere, which was completed on October 3, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment in 2018 and 2017 increased 6.5 and 5.5 percent, respectively. The 2018 increase in sales was primarily driven by above-market growth in Core Laboratory in the U.S. and internationally. In 2018, Abbott accelerated the roll out of its Alinity systems for Core Laboratory in Europe. The 2017 increase in sales was primarily driven by share gains in the Core Laboratory markets globally, as well as performance in Point of Care led by the continued adoption of Abbott's i-STAT® handheld system.

Excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 4.9 percent in 2018. The 2018 sales increase was driven by growth in several areas, including double-digit growth in Electrophysiology and Structural Heart.

The growth in Electrophysiology in 2018 was led by higher sales in cardiac mapping and ablation catheters, as well as the U.S. launch of Abbott's Confirm Rx® Insertable Cardiac Monitor (ICM), the world's first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias. In May 2018, Abbott announced U.S. FDA clearance of the Advisor HD Grid Mapping Catheter, Sensor Enabled, which creates detailed maps of the heart and expands Abbott's electrophysiology product portfolio.

Growth in Structural Heart in 2018 was driven by several product areas including the MitraClip, Abbott's market-leading device for the minimally-invasive treatment of mitral regurgitation and the AMPLATZER® PFO occluder, a device designed to close a hole-like opening in the heart. In July 2018, Abbott announced U.S. FDA approval for a next-generation version of MitraClip. In September 2018, Abbott announced positive clinical results from its COAPT study, which demonstrated that MitraClip

improved survival and clinical outcomes for select patients with functional mitral regurgitation. In the fourth quarter of 2018, the COAPT study data was submitted to the U.S. FDA to request approval of an expanded indication for MitraClip.

The growth in Neuromodulation in 2018 reflects higher revenue for various products for the treatment of chronic pain and movement disorders.

In Vascular, growth in imaging, vessel closure and other endovascular revenues in 2018 was partially offset by lower DES sales due to lower U.S. market share and price erosion in various markets. During the second quarter of 2018, Abbott received approval from the U.S. FDA for the XIENCE Sierra Drug Eluting Stent System, the newest generation of its coronary stent system. During the second quarter of 2018, the XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease. In Rhythm Management, market share gains in the new patient segment were offset by replacement cycle dynamics. In Heart Failure, international sales growth was offset by lower U.S. sales. In October 2018, the HeartMate 3 Left Ventricular Assist Device (LVAD) received U.S. FDA approval as a destination therapy for people living with advanced heart failure.

In 2017, excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 207.4 percent. The increase in sales was primarily driven by the acquisition of St. Jude Medical which was completed on January 4, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the vascular business were essentially flat in 2017 versus the prior year as lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement were offset by higher structural heart and endovascular sales.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2018, 2017 and 2016.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to materially affect Abbott.

In April 2017, Abbott received a warning letter from the U.S. FDA related to its manufacturing facility in Sylmar, CA which was acquired by Abbott on January 4, 2017 as part of the acquisition of St. Jude Medical. This facility manufactures implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and monitors. The warning letter relates to the FDA's observations from an inspection of this facility. Abbott has prepared a comprehensive plan of corrective actions which has been provided to the FDA. Execution of the plan is progressing.

Operating Earnings

Gross profit margins were 51.3 percent of net sales in 2018, 47.5 percent in 2017 and 53.8 percent in 2016. In 2018, the increase primarily reflects lower inventory step-up amortization related to the St. Jude Medical and Alere acquisitions and margin improvements in various businesses, partially offset by higher intangible amortization expense. In 2017, the decrease primarily reflects higher intangible amortization expense and inventory step-up

amortization related to the St. Jude Medical and Alere acquisitions, partially offset by margin improvements in various businesses.

Research and development expense was $2.3 billion in 2018, $2.3 billion in 2017, and $1.4 billion in 2016 and represented a 1.7 percent increase in 2018, and a 56.2 percent increase in 2017. The 2018 increase in research and development expenses was primarily due to higher spending on various projects, partially offset by lower restructuring and integration costs. The 2017 increase in research and development expenses was primarily due to the acquisition of the St. Jude Medical business. In 2018, research and development expenditures totaled $1.0 billion for the Cardiovascular and Neuromodulation Products

segment, $585 million for the Diagnostic Products segment, $198 million for the Nutritional Products segment and $184 million for the Established Pharmaceutical Products segment.

Selling, general and administrative expenses increased 6.1 percent in 2018 and 36.3 percent in 2017 versus the respective prior year. The 2018 increase was primarily due to the impact of the acquisition of the Alere business in October 2017, as well as higher spending to drive continued growth and market expansion in various businesses, partially offset by lower acquisition-related expenses. The 2017 increase was primarily due to the acquisition of the St. Jude Medical business, as well as the incremental expenses to integrate St. Jude Medical with Abbott's existing vascular business, partially offset by the impact of cost improvement initiatives across various functions and businesses.

Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of $39.36, which reflected the closing price on January 4, 2017, this represented a value of approximately $81 per St. Jude Medical common share and total purchase consideration of $23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)

Net debt	(5.3)
Total final allocation of fair value	$ 23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $1.1 billion, inventory of approximately $1.7 billion, other current assets of $176 million, property and equipment of approximately $1.5 billion, and other long-term assets of approximately $455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $1.1 billion and other non-current liabilities of approximately $870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

The final allocation of the fair value of the Alere acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 3.5
Goodwill, non-deductible	3.7
Acquired net tangible assets	1.0
Deferred income taxes recorded at acquisition	(0.4)
Net debt	(2.6)
Preferred stock	(0.7)
Total final allocation of fair value	$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The approximate value of the acquired tangible assets consists of $430 million of trade accounts receivable, $425 million of inventory, $225 million of other current assets, $540 million of property and equipment, and $210 million of other long-term assets. The approximate value of the acquired tangible liabilities consists of $675 million of trade accounts payable and other current liabilities and $145 million of other non-current liabilities.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately $200 million payable at the close of the transaction. Alere agreed to divest these

businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

Restructurings

In 2017 and 2018, Abbott management approved restructuring plans as part of the integration of the acquisition of St. Jude Medical into the Cardiovascular and Neuromodulation Products segment and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded charges, including one-time employee termination benefits, of approximately $52 million in 2018 and $187 million in 2017. Approximately $5 million in 2018 and 2017 are recorded in Cost of products sold, approximately $10 million in 2018 is recorded in Research and development and approximately $37 million in 2018 and $182 million in 2017 in Selling, general and administrative expense.

From 2016 to 2018, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee-related severance and other charges of approximately $28 million in 2018, $120 million in 2017 and $32 million in 2016. Approximately $10 million in 2018, $7 million in 2017 and $9 million in 2016 are recorded in Cost of products sold, approximately $2 million in 2018, $77 million in 2017 and $5 million in 2016 are recorded in Research and development and approximately $16 million in 2018, $36 million in 2017 and $18 million in 2016 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 and 2016 were recorded primarily for accelerated depreciation.

Interest Expense and Interest (Income)

In 2018, interest expense decreased primarily due to the net repayment of $8.3 billion of debt, partially offset by lower interest income due to lower cash balances. In 2017, interest expense increased primarily due to the $15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017. In 2016, interest expense increased primarily due to the amortization of bridge financing fees related to the financing of the St. Jude Medical and Alere acquisitions. Interest expense in 2016 also increased due to the $15.1 billion of debt issued in November 2016.

Debt Extinguishment Costs

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On March 22, 2018, Abbott redeemed all of the $947 million principal amount of its 5.125% Notes due 2019, as well as $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

Other (Income) Expense, net

Other (income) expense, net, for 2018, 2017 and 2016 includes approximately $160 million of income in each year related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. These amounts are being reported in other (income) expense as a result of the adoption of the new accounting standard for recognizing pension cost. 2017 includes a pre-tax gain of $1.163 billion on the sale of AMO to Johnson & Johnson. 2016 includes $947 million of expense to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 18.8 percent in 2018, 84.2 percent in 2017 and 24.8 percent in 2016.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott has completed its accounting for all of the enactment date income tax effects of the TCJA. If additional regulations issued by the U.S. Department of the Treasury after December 31, 2018 result in a change in judgment, the effect of such regulations will be accounted for in the period in which the regulations are finalized.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the Financial Accounting Standards Board staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2018, the remaining balance of Abbott's transition tax obligation is approximately $1.58 billion, which will be paid over the next eight years as allowed by the TCJA.

In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes on earnings from continuing operations include $435 million of tax expense related to the gain on the sale of the AMO business. In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately $225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 15 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Discontinued Operations

Earnings from discontinued operations, net of tax of $34 million, $124 million and $321 million, in 2018, 2017 and 2016, respectively, were driven primarily by the recognition of net tax benefits as a result of the resolution of various tax positions pertaining to AbbVie's operations for years prior to the separation. On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

Assets Held for Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017 and 2016, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were $(18) million and $30 million, respectively.

As discussed in the Business Acquisitions section, in conjunction with the acquisition of Alere, Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel. The legal transfer of certain assets related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2018 and 2017, primarily relate to the businesses sold to Quidel.

The following is a summary of the assets held for disposition as of December 31, 2018 and 2017:

(in millions)	**December 31, 2018**	**December 31, 2017**
Trade Receivables, net	$ 6	$ 12
Total inventories	3	8

Current assets held for disposition	9	20
Net property and equipment	—	56
Intangible assets, net of amortization	—	18
Goodwill	17	102
Non-current assets held for disposition	17	176
Total assets held for disposition	$ 26	$ 196

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

Research and Development Process

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

- Drug product development.
- Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).
- Phase II studies to test the efficacy of benefits in a small group of patients.
- Phase III studies to broaden the testing to a wider population that reflects the actual medical use.
- Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

- Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.
- Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.
- Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Pre-Marketing Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which is governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category. Certain product categories require review and approval by an independent

company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to show compliance with the Directive. Other products only require a self-certification process.

In the Cardiovascular and Neuromodulation segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation, selection and qualification of a product design, completion of applicable clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., cardiovascular and neuromodulation products are classified as Class I, II, or III. Most of Abbott's cardiovascular and neuromodulation products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, cardiovascular and neuromodulation products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some cardiovascular and neuromodulation products, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) and the In Vitro Diagnostic Regulation (IVDR) which replace the existing directives in the EU for medical devices and in vitro diagnostic products. The MDR and IVDR will apply after a three-year and five-year transition period, respectively, and will impose additional premarket and postmarket regulatory requirements on manufacturers of such products.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

Areas of Focus

In 2019 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing

brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon™, Duphaston™, Duphalac™ and Influvac™. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Cardiovascular and Neuromodulation — Abbott's research and development programs focus on:

- Cardiac Rhythm Management — Development of next-generation rhythm management technologies, including enhanced patient engagement and expanded magnetic resonance (MR)-compatibility.
- Heart Failure — Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.
- Electrophysiology — Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.
- Vascular — Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- Structural Heart — Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.
- Neuromodulation — Development of next-generation technologies with enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.

Diabetes Care — Develop enhancements and additional indications for the FreeStyle Libre continuous glucose monitoring system to help patients improve their ability to manage diabetes.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays, including a focus on unmet medical need, in various areas including infectious disease, cardiac care, metabolics, oncology, as well as informatics and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests and "Alinity m", a next generation instrument system, are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for cardiometabolic disease, infectious disease and toxicology.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2018 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2019. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

At December 31, 2018, goodwill recorded as a result of business combinations totaled $23.3 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $6.3 billion, $5.6 billion and $3.2 billion in 2018, 2017 and 2016, respectively. The increase in Net cash from operating activities in 2018 was primarily due to higher segment operating earnings, continued improvements in working capital management, timing of pension contributions and lower acquisition-related expenses. The increase in Net cash from operating activities in 2017 was primarily due to the favorable impact of improved working capital management, the acquisition of the St. Jude Medical businesses, and higher segment operating earnings. The income tax component of cash from operating activities in 2018 includes the non-cash impact of the $120 million adjustment to the transition tax associated with the TCJA. The income tax component of operating cash flow in 2017 includes the non-cash impact of $1.46 billion of net tax expense related to the estimated impact of the TCJA. The income tax component of operating cash flow in 2016 includes $550 million of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years.

The foreign currency loss related to Venezuela reduced Abbott's cash by approximately $410 million in 2016 and is included in the Effect of exchange rate changes on cash and cash equivalents line within the Consolidated Statement of Cash Flows. Future fluctuations in the strength of the U.S. dollar against foreign currencies are not expected to materially impact Abbott's liquidity.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2018, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $114 million in 2018, $645 million in 2017 and $582 million in 2016 to defined benefit pension plans. Abbott expects pension funding of approximately $380 million in 2019 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2018, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa1 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a 2018 revolving credit agreement that expires in 2023. Abbott entered into this new revolving credit agreement and terminated the 2014 revolving credit agreement on November 30, 2018. There were no outstanding borrowings under the 2014 revolving credit agreement at the time of its termination. Any borrowings under the new revolving credit agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased from approximately $9.0 billion at December 31, 2015 to $27.9 billion at December 31, 2017. The increase in debt included the following transactions in 2016 and 2017:

- In April 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed $17.2 billion, comprised of $15.2 billion for a 364-day bridge loan and $2.0 billion for a 120-day bridge loan to provide financing for the acquisition of St. Jude Medical. This facility has been terminated as further discussed below.

- In November 2016, Abbott issued $15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt. The swaps have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments. The $15.2 billion component of the commitment for a bridge term loan facility terminated in November 2016 when Abbott issued the $15.1 billion of long-term debt.

- In December 2016, Abbott formalized the $2.0 billion component of the bridge term loan facility and entered into a 120-day bridge term loan facility that provided Abbott the ability to borrow up to $2.0 billion on an unsecured basis to partially fund the St. Jude Medical acquisition. On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed $2.0 billion under the 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

- In the first quarter of 2017, as part of the acquisition of St. Jude Medical, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid, or refinanced by Abbott. This included the exchange of certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for approximately $2.9 billion of debt issued by Abbott. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remained outstanding. There were no significant costs associated with the exchange of this debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

- In 2017, Abbott borrowed $2.8 billion on an unsecured basis under a 5-year term loan agreement and borrowed $1.7 billion under its lines of credit. Proceeds from such borrowings were used to finance the acquisition of Alere, to repay certain

indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The borrowings bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off the term loan in January 2018, ahead of its 2022 due date and paid off $550 million of the line of credit in the fourth quarter of 2017 and the remaining $1.15 billion on January 5, 2018. In the fourth

quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.

- In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which $199 million and $195 million was outstanding at December 31, 2018 and 2017, respectively.

In 2018 Abbott committed to reducing its debt levels and on February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization during 2018 included $0.947 billion principal amount of its 5.125% Notes due 2019 and $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed $4.0 billion principal amount of its outstanding long-term debt. This amount is in addition to the $5 billion authorization discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

The 2018 transactions described above, including the repayment of $2.8 billion under the 5-year term loan and $1.15 billion of borrowings under the lines of credit, resulted in the net repayment of approximately $8.3 billion of debt.

On January 25, 2019, Abbott notified the holders of its 2.80% Notes due 2020, that it will redeem the $500 million outstanding principal amount of these notes on February 24, 2019. After the redemption of the 2.80% Notes, approximately $700 million of the $5 billion debt redemption authorized by Abbott's board of directors in 2018 will remain available.

In September 2014, the board of directors authorized the repurchase of up to $3.0 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 36.2 million shares at a cost of $1.7 billion in 2015, 10.4 million shares at a cost of $408 million in 2016 and 1.9 million shares at a cost of $130 million in 2018 for a total of approximately $2.2 billion.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to $3 billion. No shares have been issued under this authorization.

Abbott declared dividends of $1.16 per share in 2018 compared to $1.075 per share in 2017, an increase of approximately 8 percent. Dividends paid were $1.974 billion in 2018 compared to

$1.849 billion in 2017. The year-over-year change in dividends paid reflects the impact of the increase in the dividend rate.

Working Capital

Working capital was $5.6 billion at December 31, 2018 and $11.2 billion at December 31, 2017. The decrease in working capital in 2018 reflects the use of cash to repay long-term debt and dividends.

Abbott monitors the credit worthiness of customers and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring economic conditions and budgetary and other fiscal developments, Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables.

Venezuela Operations

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. On February 17, 2016, the Venezuelan government announced that its three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO was the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate was a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of $480 million in 2016 to revalue its net monetary assets in Venezuela. After the revaluation, Abbott's investment in its Venezuelan operations was not significant.

Capital Expenditures

Capital expenditures of $1.4 billion in 2018, $1.1 billion in 2017 and $1.1 billion in 2016 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers.

Contractual Obligations

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2018.

	Payments Due By Period				
(dollars in millions)	**Total**	**2019**	**2020-2021**	**2022-2023**	**2024 and Thereafter**
Long-term debt, including current maturities	$ 19,626	$ 7	$ 4,658	$ 3,105	$ 11,856
Interest on debt obligations	10,237	668	1,312	1,102	7,155

Operating lease obligations	984	218	302	193	271
Capitalized auto lease obligations	41	14	27	—	—
Purchase commitments (a)	2,591	2,454	103	21	13
Other long-term liabilities (b)	3,492	—	1,288	884	1,320
Total (c)	$ 36,971	$ 3,361	$ 7,690	$ 5,305	$ 20,615

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

(b) Other long-term liabilities include estimated payments for the transition tax under the TCJA, net of applicable credits.

(c) Net unrecognized tax benefits totaling approximately $465 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 15 — Taxes on Earnings from Continuing Operations for further

details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 14 — Post-employment Benefits.

Contingent Obligations

Abbott has periodically entered into agreements with other companies in the ordinary course of business, such as assignment of product rights, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Legislative Issues

Abbott's primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors.

Recently Issued Accounting Standards

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the TCJA, from accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). The standard would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to adopt the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which makes changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The standard would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to early adopt ASU 2017-12 in the fourth quarter of 2018. The impact of adopting the standard is not significant to Abbott's Consolidated Balance Sheet and Consolidated Statement of Earnings.

In March 2017, the FASB issued ASU 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* which changes the financial statement presentation requirements for pension and

other postretirement benefit expense. While service cost continues to be reported in the same financial statement line items as other current employee compensation costs, the ASU requires all other components of pension and other postretirement benefit expense to be presented separately from service cost, and outside any subtotal of income from operations. The standard was adopted by Abbott beginning in the first quarter of 2018. The change in the presentation of the components of pension cost per year was applied retrospectively. As a result, approximately $160 million of net pension-related income per year was moved from the operating lines of the Consolidated Statement of Earnings to non-operating income for 2017 and 2016.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and end-of-period total amounts shown on the statement of cash flows. Abbott adopted this standard beginning in the first quarter of 2018, and applied the guidance retrospectively to all periods presented. Abbott did not have any restricted cash balances in the periods presented except for $75 million of restricted cash acquired as part of the Alere acquisition in October 2017. The restrictions on this cash were eliminated prior to the end of 2017.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. The ASU became effective for Abbott in the first quarter of 2018 and did not have a material impact to the Company's Consolidated Statement of Cash Flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for most leases on the balance sheet. The standard becomes effective for Abbott beginning in the first quarter of 2019. Abbott completed a detailed review of its leases. Abbott will use the modified retrospective approach with the package of practical expedients which allows Abbott to carry forward the historical lease classification for existing or expired leases and to account for lease and non-lease components as a single lease component for its lessee arrangements. Abbott does not expect the new lease accounting standard to have a material impact on the amounts reported in the Consolidated Statement of Earnings. As a result of adopting ASU 2016-02, Abbott expects to record approximately $800 million to $900 million of right of use assets and lease liabilities for operating leases on the Consolidated Balance Sheet.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods

or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach

method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

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 Item 1A, Risk Factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $13 million and $11 million as of December 31, 2018 and 2017, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2018 by approximately $3 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $307 million and $363 million as of December 31, 2018 and 2017, respectively. Changes in the fair value of these investments are recorded in earnings.

Non-Publicly Traded Equity Securities

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $211 million and $228 million as of December 31, 2018 and 2017, respectively. No individual investment is recorded at a value in excess of $61 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Interest Rate Sensitive Financial Instruments

At December 31, 2018 and 2017, Abbott had interest rate hedge contracts totaling $2.9 billion and $4.0 billion, respectively, to manage its exposure to changes in the fair value of

debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. 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. The fair value of long-term debt at December 31, 2018 and 2017 amounted to $19.9 billion and $29.0 billion, respectively (average interest rates of 3.5% and 3.6% as of December 31, 2018 and 2017, respectively) with maturities through 2046. At December 31, 2018 and 2017, the fair value of current and long-term investment securities amounted to approximately $1.1 billion. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

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 foreign currency 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 products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2018 and 2017, Abbott held $5.1 billion and $3.3 billion, respectively, of such contracts. Contracts held at December 31, 2018 will mature in 2019 or 2020 depending upon the contract. Contracts held at December 31, 2017 matured in 2018 or will mature in 2019 depending upon the contract.

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, 2018 and 2017, Abbott held $13.6 billion and $20.1 billion, respectively, of such contracts, which mature in the next 24 months.

In March 2017, Abbott repaid its $479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2018 and 2017:

	2018			2017		
(dollars in millions)	**Contract Amount**	**Weighted Average Exchange Rate**	**Fair and Carrying Value Receivable/ (Payable)**	**Contract Amount**	**Weighted Average Exchange Rate**	**Fair and Carrying Value Receivable/ (Payable)**
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	$ 11,630	1.1938	$ 13	$ 16,877	1.1861	$ (24)

Chinese Yuan	1,592	6.9055	(10)	1,221	6.8128	(33)
Japanese Yen	1,079	108.2188	6	1,109	110.5370	15
All other currencies	4,388	n/a	10	4,230	n/a	(25)
Total	$ 18,689		$ 19	$ 23,437		$ (67)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2018	**2017**	**2016**
Net Sales	$ 30,578	$ 27,390	$ 20,853
Cost of products sold, excluding amortization of intangible assets	12,706	12,409	9,094
Amortization of intangible assets	2,178	1,975	550
Research and development	2,300	2,260	1,447
Selling, general and administrative	9,744	9,182	6,736
Total Operating Cost and Expenses	26,928	25,826	17,827
Operating Earnings	3,650	1,564	3,026
Interest expense	826	904	431
Interest income	(105)	(124)	(99)
Net foreign exchange (gain) loss	28	(34)	495
Debt extinguishment costs	167	—	—
Other (income) expense, net	(139)	(1,413)	786
Earnings from Continuing Operations Before Taxes	2,873	2,231	1,413
	539	1,878	350

Taxes on Earnings from Continuing Operations			
Earnings from Continuing Operations	2,334	353	1,063
Earnings from Discontinued Operations, net of taxes	34	124	321
Gain on sale of Discontinued Operations, net of taxes	—	—	16
Net Earnings from Discontinued Operations, net of taxes	34	124	337
Net Earnings	$ 2,368	$ 477	$ 1,400
Basic Earnings Per Common Share —			
Continuing Operations	$ 1.32	$ 0.20	$ 0.71
Discontinued Operations	0.02	0.07	0.23
Net Earnings	$ 1.34	$ 0.27	$ 0.94
Diluted Earnings Per Common Share —			
Continuing Operations	$ 1.31	$ 0.20	$ 0.71
Discontinued Operations	0.02	0.07	0.23
Net Earnings	$ 1.33	$ 0.27	$ 0.94
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,758	1,740	1,477
Dilutive Common Stock Options	12	9	6

Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,770	1,749	1,483
Outstanding Common Stock Options Having No Dilutive Effect	—	—	5

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2018	**2017**	**2016**
Net Earnings	$ 2,368	$ 477	$ 1,400
Foreign currency translation gain (loss) adjustments	(1,460)	1,365	(130)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $47 in 2018, $(61) in 2017 and $(125) in 2016	132	(243)	(326)
Unrealized gains (losses) on marketable equity securities, net of taxes of $(76) in 2017 and $(28) in 2016	—	64	(134)
Net gains (losses) on derivative instruments designated as cash flow hedges, net of taxes of $50 in 2018, $(43) in 2017 and $(4) in 2016	136	(134)	(15)
Other Comprehensive Income (Loss)	(1,192)	1,052	(605)
Comprehensive Income	$ 1,176	$ 1,529	$ 795
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$ (4,912)	$ (3,452)	$ (4,959)

Net actuarial (losses) and prior service (cost) and credits	(2,726)	(2,521)	(2,284)
Cumulative unrealized gains (losses) on marketable equity securities	—	(5)	(69)
Cumulative gains (losses) on derivative instruments designated as cash flow hedges	52	(84)	49
Accumulated other comprehensive income (loss)	$ (7,586)	$ (6,062)	$ (7,263)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

	Year Ended December 31		
	2018	**2017**	**2016**
Cash Flow From (Used in) Operating activities:			
Net earnings	$ 2,368	$ 477	$ 1,400
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,100	1,046	803
Amortization of intangible assets	2,178	1,975	550
Share-based compensation	477	406	310
Impact of currency devaluation	—	—	480
Amortization of inventory step-up	32	907	—
Investing and financing losses, net	126	47	86
Loss on extinguishment of debt	167	—	—
Amortization of bridge financing fees	—	5	165
Gains on sale of businesses	—	(1,163)	(25)
Mylan N.V. equity investment adjustment	—	—	947
Gain on sale of Mylan N.V. shares	—	(45)	—

Trade receivables	(190)	(207)	(177)
Inventories	(514)	249	(98)
Prepaid expenses and other assets	23	109	113
Trade accounts payable and other liabilities	747	615	(652)
Income taxes	(214)	1,149	(699)
Net Cash From Operating Activities	6,300	5,570	3,203
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,394)	(1,135)	(1,121)
Acquisitions of businesses and technologies, net of cash acquired	—	(17,183)	(80)
Proceeds from business dispositions	48	6,042	25
Proceeds from the sale of Mylan N.V. shares	—	2,704	—
Purchases of investment securities	(131)	(210)	(2,823)
Proceeds from sales of investment securities	73	129	3,709
Other	48	35	42
Net Cash From (Used in) Investing Activities	(1,356)	(9,618)	(248)
Cash Flow From (Used in) Financing Activities:			

Proceeds from issuance of (repayments of) short-term debt and other	(26)	(1,034)	(1,767)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	4,009	6,742	14,934
Repayments of long-term debt and debt with maturities over 3 months	(12,433)	(8,650)	(12)
Payment of bridge financing fees	—	—	(170)
Purchase of Alere preferred stock	—	(710)	—
Acquisition and contingent consideration payments related to business acquisitions	—	(13)	(25)
Purchases of common shares	(238)	(117)	(522)
Proceeds from stock options exercised	271	350	248
Dividends paid	(1,974)	(1,849)	(1,539)
Net Cash From (Used in) Financing Activities	(10,391)	(5,281)	11,147
Effect of exchange rate changes on cash and cash equivalents	(116)	116	(483)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,563)	(9,213)	13,619
Cash and Cash Equivalents, Beginning of Year	9,407	18,620	5,001
Cash and Cash Equivalents, End of Year	$ 3,844	$ 9,407	$ 18,620
Supplemental Cash Flow Information:			

Income taxes paid	$ 740	$ 570	$ 620
Interest paid	845	917	181

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2018	**2017**
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,844	$ 9,407
Investments, primarily bank time deposits and U.S. treasury bills	242	203
Trade receivables, less allowances of — 2018: $314; 2017: $294	5,182	5,249
Inventories:		
Finished products	2,407	2,339
Work in process	499	472
Materials	890	790
Total inventories	3,796	3,601
Other prepaid expenses and receivables	1,559	1,667
Current assets held for disposition	9	20

Total Current Assets	14,632	20,147
Investments	897	883
Property and Equipment, at Cost:		
Land	501	526
Buildings	3,555	3,613
Equipment	10,756	10,394
Construction in progress	894	732
	15,706	15,265
Less: accumulated depreciation and amortization	8,143	7,658
Net Property and Equipment	7,563	7,607
Intangible Assets, net of amortization	18,942	21,473
Goodwill	23,254	24,020
Deferred Income Taxes and Other Assets	1,868	1,944
Non-current Assets Held for Disposition	17	176
	$ 67,173	$ 76,250

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2018	**2017**
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings	$ 200	$ 206
Trade accounts payable	2,975	2,402
Salaries, wages and commissions	1,182	1,187
Other accrued liabilities	3,780	3,811
Dividends payable	563	489
Income taxes payable	305	309
Current portion of long-term debt	7	508
Total Current Liabilities	9,012	8,912
Long-term Debt	19,359	27,210
Post-employment obligations and other long-term liabilities	8,080	9,030
Commitments and Contingencies		
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: 2018: 1,971,189,465; 2017: 1,965,908,188	23,512	23,206
Common shares held in treasury, at cost — Shares: 2018: 215,570,043; 2017: 222,305,719	(9,962)	(10,225)
Earnings employed in the business	24,560	23,978
Accumulated other comprehensive income (loss)	(7,586)	(6,062)
Total Abbott Shareholders' Investment	30,524	30,897
Noncontrolling Interests in Subsidiaries	198	201
Total Shareholders' Investment	30,722	31,098
	$ 67,173	$ 76,250

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

	Year Ended December 31		
	2018	**2017**	**2016**
Common Shares:			
Beginning of Year			
Shares: 2018: 1,965,908,188; 2017: 1,707,475,455; 2016: 1,702,017,390	$ 23,206	$ 13,027	$ 12,734
Issued under incentive stock programs			
Shares: 2018: 5,281,277; 2017: 8,834,924; 2016: 5,458,065	163	242	222
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	—	9,835	—
Share-based compensation	479	406	311
Issuance of restricted stock awards	(336)	(304)	(240)
End of Year			
Shares: 2018: 1,971,189,465; 2017: 1,965,908,188; 2016: 1,707,475,455	$ 23,512	$ 23,206	$ 13,027
Common Shares Held in Treasury:			
Beginning of Year	$ (10,225)	$ (10,791)	$ (10,622)

Shares: 2018: 222,305,719; 2017: 234,606,250; 2016: 229,352,338			
Issued under incentive stock programs			
Shares: 2018: 8,870,735; 2017: 8,696,320; 2016: 5,398,469	408	400	250
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	—	180	—
Purchased			
Shares: 2018: 2,135,059; 2017: 302,637; 2016: 10,652,381	(145)	(14)	(419)
End of Year			
Shares: 2018: 215,570,043; 2017: 222,305,719; 2016: 234,606,250	$ (9,962)	$ (10,225)	$ (10,791)
Earnings Employed in the Business:			
Beginning of Year	$ 23,978	$ 25,565	$ 25,757
Net earnings	2,368	477	1,400
Cash dividends declared on common shares (per share — 2018: $1.16; 2017: $1.075; 2016: $1.045)	(2,047)	(1,947)	(1,547)
Effect of common and treasury share transactions	(90)	(117)	(45)
Impact of adoption of new accounting standards	351	—	—

End of Year	$ 24,560	$ 23,978	$ 25,565
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (6,062)	$ (7,263)	$ (6,658)
Business dispositions / separation	—	149	—
Other comprehensive income (loss)	(1,192)	1,052	(605)
Impact of adoption of new accounting standards	(332)	—	—
End of Year	$ (7,586)	$ (6,062)	$ (7,263)
Noncontrolling Interest in Subsidiaries:			
Beginning of Year	$ 201	$ 179	$ 115
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	(3)	22	64
End of Year	$ 198	$ 201	$ 179

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 — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

USE OF ESTIMATES — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates; income taxes; pension and other post-employment benefits, including certain asset values that are based on significant unobservable inputs; valuation of intangible assets; litigation; derivative financial instruments; and inventory and accounts receivable exposures.

FOREIGN CURRENCY TRANSLATION — The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

REVENUE RECOGNITION — Revenue from product sales is recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial

statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Interest and penalties on income tax obligations are included in taxes on earnings.

EARNINGS PER SHARE — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between

common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2018, 2017 and 2016 were $2.320 billion, $346 million and $1.057 billion, respectively. Net earnings allocated to common shares in 2018, 2017 and 2016 were $2.353 billion, $468 million and $1.393 billion, respectively.

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

FAIR VALUE MEASUREMENTS — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

SHARE-BASED COMPENSATION — The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 modifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes and classification on the statement of cash flows. Abbott adopted the standard in the first quarter of 2017 and the following changes were made to the presentation of Abbott's financial statements:

- All excess tax benefits or tax deficiencies are now recognized as income tax benefit or expense as applicable. Previously, Abbott recorded the benefits to Shareholders' Investment. The tax benefit recorded in Abbott's Consolidated Statement of Earnings for 2018 and 2017 was $90 million and $120 million, respectively. The standard did

not permit retrospective presentation of this benefit in prior years.

- The tax benefit or deficiency is required to be classified as an operating activity in the statement of cash flows. Previously, it was required to be classified within financing activities. Abbott has adopted this standard on a prospective basis and has not revised the classification of the excess tax benefit in the 2016 Consolidated Statement of Cash Flows.

Note 1 — Summary of Significant Accounting Policies (Continued)

LITIGATION — Abbott accounts for litigation losses in accordance with FASB ASC No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of approximately $325 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. 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 interest income.

TRADE RECEIVABLE VALUATIONS — Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

PROPERTY AND EQUIPMENT — 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 27 years)
Equipment	3 to 20 years (average 11 years)

PRODUCT LIABILITY — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes

available. Receivables for insurance recoveries for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized. Product liability losses are self-insured.

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D) — The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as

Note 1 — Summary of Significant Accounting Policies (Continued)

IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over the remaining useful life. Collaborations are not significant.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 — New Accounting Standards

Recently Adopted Accounting Standards

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which makes changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The standard would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to early adopt ASU 2017-12 in the fourth quarter of 2018. The impact of adopting the standard is not significant to Abbott's Consolidated Balance Sheet and Consolidated Statement of Earnings.

In March 2017, the FASB issued ASU 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* which changes the financial statement presentation requirements for pension and other postretirement benefit expense. While service cost continues to be reported in the same financial statement line items as other current employee compensation costs, the ASU requires all other components of pension and other postretirement benefit expense to be presented separately from service cost, and outside any subtotal of income from operations. The standard was adopted by Abbott beginning in the first quarter of 2018. The change in the presentation of the components of pension cost per year was applied retrospectively. As a

result, approximately $160 million of net pension-related income per year was moved from the operating lines of the Consolidated Statement of Earnings to non-operating income for 2017 and 2016.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and end-of-period total amounts shown on the statement of cash flows. Abbott adopted this standard beginning in the first quarter of 2018, and applied the guidance retrospectively to all periods presented. Abbott did not have any restricted cash balances in the periods presented except for $75 million of restricted cash acquired as part of the Alere Inc. (Alere) acquisition in October 2017. The restrictions on this cash were eliminated prior to the end of 2017.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. The ASU became effective for Abbott in the first quarter of 2018 and did not have a material impact to the Company's Consolidated Statement of Cash Flows.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the

Note 2 — New Accounting Standards (Continued)

Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

Recent Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for most leases on the balance sheet. The standard becomes effective for Abbott beginning in the first quarter of 2019. Abbott completed a detailed review of its leases. Abbott will use the modified retrospective approach with the package of practical expedients which allows Abbott to carry forward the historical lease classification for leases existing at, or entered into after the beginning of the period of adoption and to account for lease and non-lease components as a single lease component for its lessee arrangements. Abbott does not expect the new lease accounting standard to have a material impact on the amounts reported in the Consolidated Statement of Earnings. As a result of adopting ASU 2016-02, Abbott expects to record approximately $800 million to $900 million of right of use assets and lease liabilities for operating leases on the Consolidated Balance Sheet.

Note 3 — Revenue

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Cardiovascular and Neuromodulation Products. Diabetes Care is a non-reportable segment and is included in Other in the following table.

Note 3 — Revenue (Continued)

The following tables provide detail by sales category:

(in millions)	2018 U.S.	2018 Int'l	2018 Total	2017 U.S.	2017 Int'l	2017 Total
Established Pharmaceutical Products —						
Key Emerging Markets	$ —	$ 3,363	$ 3,363	$ —	$ 3,307	$ 3,307
Other	—	1,059	1,059	—	980	980
Total	—	4,422	4,422	—	4,287	4,287
Nutritionals —						
Pediatric Nutritionals	1,843	2,254	4,097	1,777	2,112	3,889
Adult Nutritionals	1,232	1,900	3,132	1,254	1,782	3,036
Total	3,075	4,154	7,229	3,031	3,894	6,925
Diagnostics —						
Core Laboratory	985	3,401	4,386	921	3,142	4,063
Molecular	152	332	484	160	303	463
Point of Care	432	121	553	440	110	550

Rapid Diagnostics	1,148	924	2,072	296	244	540
Total	2,717	4,778	7,495	1,817	3,799	5,616
Cardiovascular and Neuromodulation —						
Rhythm Management	1,019	1,072	2,091	1,030	1,073	2,103
Electrophysiology	764	904	1,668	609	773	1,382
Heart Failure	467	179	646	491	152	643
Vascular	1,126	1,803	2,929	1,180	1,712	2,892
Structural Heart	488	751	1,239	432	651	1,083
Neuromodulation	690	174	864	636	172	808
Total	4,554	4,883	9,437	4,378	4,533	8,911
Other	493	1,502	1,995	447	1,204	1,651
Total	$ 10,839	$ 19,739	$ 30,578	$ 9,673	$ 17,717	$ 27,390

Abbott recognizes revenue from product sales upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. For maintenance agreements that provide service beyond Abbott's standard warranty and other service agreements, revenue is recognized ratably over the contract term. A time-based measure of progress appropriately reflects the transfer of services to the customer. Payment terms between Abbott and its customers vary by the type of customer, country of sale, and the products or services offered. The term between invoicing and the payment due date is not significant.

Management exercises judgment in estimating variable consideration. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Abbott

provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities.

Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Remaining Performance Obligations

As of December 31, 2018, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $2.9 billion in the Diagnostic Products segment and approximately $410 million in the Cardiovascular and Neuromodulation Products segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

These performance obligations primarily reflect the future sale of reagents/consumables in contracts with minimum purchase obligations, extended warranty or service obligations related to previously sold equipment, and remote monitoring services related to previously implanted devices. Abbott has applied the practical expedient described in Accounting Standards

Codification (ASC) 606-10-50-14 and has not included remaining performance obligations related to contracts with original expected durations of one year or less in the amounts above.

Assets Recognized for Costs to Obtain a Contract with a Customer

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental

Note 3 — Revenue (Continued)

to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2018, were not significant.

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2018, were not significant.

Other Contract Assets and Liabilities

Abbott discloses Trade receivables separately in the Consolidated Balance Sheet at their net realizable value. Contract assets primarily relate to Abbott's conditional right to consideration for work completed but not billed at the reporting date. Contract assets at the beginning and end of the period, as well as the changes in the balance, were not significant.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. Abbott's contract liabilities arise primarily in the Cardiovascular and Neuromodulation reportable segment when payment is received upfront for various multi-period extended service arrangements. Changes in the contract liabilities during the period are as follows:

(in millions)	
Contract Liabilities	
Balance at January 1, 2018	$ 198
Unearned revenue from cash received during the period	304
Revenue recognized that was included in contract liability balance at beginning of period	(243)
Balance at December 31, 2018	$ 259

Note 4 — Discontinued Operations and Assets Held for Disposition

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million ordinary shares (or approximately 22 percent) of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business.

In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. In 2015, Abbott recorded a pretax gain of $207 million on $2.29 billion in net proceeds from the sale of these shares. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million gain from the sale of these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. Abbott received cash proceeds of $230 million and reported an after tax gain on the sale of approximately $130 million. In the first quarter of 2016, Abbott received an additional $25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of $16 million.

Note 4 — Discontinued Operations and Assets Held for Disposition (Continued)

As a result of the disposition of the above businesses, the operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

The net earnings of discontinued operations include income tax benefits of $39 million in 2018, $109 million in 2017 and $325 million in 2016. These tax benefits primarily relate to the resolution of various tax positions related to AbbVie's operations for years prior to the separation.

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017 and 2016, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were $(18) million and $30 million, respectively.

As discussed in Note 7 — Business Acquisitions, in conjunction with the acquisition of Alere, Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The legal transfer of certain assets related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2018 and 2017, primarily relate to the businesses sold to Quidel.

Note 4 — Discontinued Operations and Assets Held for Disposition (Continued)

The following is a summary of the assets held for disposition as of December 31, 2018 and 2017:

(in millions)	December 31, 2018	December 31, 2017
Trade receivables, net	$ 6	$ 12
Total inventories	3	8
Current assets held for disposition	9	20
Net property and equipment	—	56
Intangible assets, net of amortization	—	18
Goodwill	17	102
Non-current assets held for disposition	17	176
Total assets held for disposition	$ 26	$ 196

Note 5 — Supplemental Financial Information

Other (income) expense, net, for 2018, 2017 and 2016 includes approximately $160 million of income related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. These amounts are being reported in other (income) expense as a result of the adoption of the new accounting standard for recognizing pension cost. Other (income) expense, net, for 2017 includes a pre-tax gain of $1.163 billion related to the sale of AMO to Johnson & Johnson. See Note 4 — Discontinued Operations and

Assets Held for Disposition for further discussion of this sale. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds and recorded a $45 million pre-tax gain related to the sale of these ordinary shares. Other (income) expense, net, for 2016 includes expense of $947 million to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary.

The detail of various balance sheet components is as follows:

(in millions)	December 31, 2018	December 31, 2017
Long-term Investments:		
Equity securities	$ 856	$ 797
Other	41	86
Total	$ 897	$ 883

Abbott's equity securities as of December 31, 2018 and December 31, 2017, include $307 million and $363 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2018 with a carrying value of approximately $325 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $211 million that do not have a readily determinable fair value. The $211 million

Note 5 — Supplemental Financial Information (Continued)

carrying value includes an unrealized gain of approximately $50 million on an investment. The gain was recorded in the second quarter of 2018 and relates to an observable price change for a similar investment of the same issuer.

(in millions)	**December 31, 2018**	**December 31, 2017**
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 166	$ 124
Accrued other rebates (a)	608	498
All other	3,006	3,189
Total	$ 3,780	$ 3,811

(a) Accrued wholesaler chargeback rebates of $197 million and $178 million at December 31, 2018 and 2017, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	**December 31, 2018**	**December 31, 2017**
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 2,040	$ 2,169

Deferred income taxes	2,056	2,006
All other (b)	3,984	4,855
Total	$ 8,080	$ 9,030

(b) 2018 includes approximately $465 million of net unrecognized tax benefits, as well as approximately $65 million of acquisition consideration payable. 2017 includes approximately $835 million of net unrecognized tax benefits, as well as approximately $100 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. On February 17, 2016, the Venezuelan government announced that its three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO was the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate was a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of $480 million in 2016 to revalue its net monetary assets in Venezuela. After the revaluation, Abbott's investment in its Venezuelan operations was not significant.

Note 6 — Accumulated Other Comprehensive Income (Loss)

The components of the changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows: (*in millions*)

	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2016	$ (4,959)	$ (2,284)	$ (69)	$ 49	$ (7,263)
Impact of business dispositions	142	6	—	1	149
Other comprehensive income (loss) before reclassifications	1,365	(333)	182	(170)	1,044
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	90	(118)	36	8
Net current period other comprehensive income (loss)	1,365	(243)	64	(134)	1,052

Balance at December 31, 2017	(3,452)	(2,521)	(5)	(84)	(6,062)
Impact of adoption of new accounting standards	—	(337)	5	—	(332)
Other comprehensive income (loss) before reclassifications	(1,488)	(18)	—	58	(1,448)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	28	150	—	78	256
Net current period other comprehensive income (loss)	(1,460)	132	—	136	(1,192)
Balance at December 31, 2018	$ (4,912)	$ (2,726)	$ —	$ 52	$ (7,586)

(a) Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange (gain) loss; gains (losses) on marketable equity securities are recorded as Other (income) expense and gains/losses related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost — see Note 14 for additional information.

Note 7 — Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the

acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Note 7 — Business Acquisitions (Continued)

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of $39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately $81 per St. Jude Medical common share and total purchase consideration of $23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)
Net debt	(5.3)
Total final allocation of fair value	$ 23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $1.1 billion, inventory of approximately $1.7 billion, other current assets of $176 million, property and equipment of approximately $1.5 billion, and other long-term assets of approximately $455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $1.1 billion and other non-current liabilities of approximately $870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses.

The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

Note 7 — Business Acquisitions (Continued)

The final allocation of the fair value of the Alere acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 3.5
Goodwill, non-deductible	3.7
Acquired net tangible assets	1.0
Deferred income taxes recorded at acquisition	(0.4)
Net debt	(2.6)
Preferred stock	(0.7)
Total final allocation of fair value	$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The approximate value of the acquired tangible assets is $430 million of trade accounts receivable, $425 million of inventory, $225 million of other current assets, $540 million of property and equipment, and $210 million of other long-term assets. The approximate value of the acquired tangible liabilities is $675 million of trade accounts payable and other current liabilities and $145 million of other non-current liabilities.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel. The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately $200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on

October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include $6.5 billion of sales and a pre-tax loss of approximately $1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately $1.5 billion of intangible amortization and $907 million of inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately $485 million in 2016. This includes amortization of approximately $940 million of inventory step-up and $1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately $750 million, which includes $225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately $907 million which was recorded in 2017 but included in the 2016 unaudited pro

Note 7 — Business Acquisitions (Continued)

forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

Note 8 — Goodwill and Intangible Assets

The total amount of goodwill reported was $23.3 billion at December 31, 2018 and $24.0 billion at December 31, 2017. The amounts reported at December 31, 2018 and 2017 exclude goodwill reported in non-current assets held for disposition. In 2018, foreign currency translation adjustments decreased goodwill by approximately $440 million. Purchase price accounting adjustments associated with the Alere acquisition decreased goodwill by $326 million in 2018. Goodwill increased by $17.2 billion in 2017 due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of $1.5 billion due to the sale of certain businesses to Terumo, Quidel and Siemens. Foreign currency translation increased goodwill by $653 million in 2017. The amount of goodwill related to reportable segments at December 31, 2018 was $3.0 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.7 billion for the Diagnostic Products segment, and $15.3 billion for the Cardiovascular and Neuromodulation Products segment. In 2018 and 2017, there were no significant reductions of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was $25.7 billion and $25.6 billion as of December 31, 2018 and 2017, respectively, and accumulated amortization was $10.4 billion and $8.1 billion as of December 31, 2018 and 2017, respectively. In 2018, purchase price allocation adjustments increased intangible assets by $280 million and foreign currency translation adjustments decreased intangible assets by $281 million. In 2017, the gross amount of amortizable intangible assets increased by approximately $14.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of $210 million due to the sale of certain businesses to Quidel and Siemens.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $3.6 billion and $3.9 billion at December 31, 2018 and 2017, respectively. The decrease in indefinite-lived intangible assets in 2018 primarily relates to purchase price allocation adjustments associated with the Alere acquisition. In 2017, in-process research and development increased by $4.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, a portion of which became amortizable during the year. In 2017, Abbott also recorded a $53 million impairment of an

Note 8 — Goodwill and Intangible Assets (Continued)

in-process research and development project related to the Cardiovascular and Neuromodulation Products segment.

The estimated annual amortization expense for intangible assets recorded at December 31, 2018 is approximately $2.0 billion in 2019, $2.2 billion in 2020, $2.1 billion in 2021, $2.0 billion in 2022 and $2.0 billion in 2023. Amortizable intangible assets are amortized over 2 to 20 years (weighted average 12 years).

Note 9 — Restructuring Plans

In 2017 and 2018, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Cardiovascular and Neuromodulation Products segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately $52 million in 2018 and $187 million in 2017. Approximately $5 million in 2018 and 2017 is recorded in Cost of products sold, approximately $10 million in 2018 is recorded in Research and development, and approximately $37 million in 2018 and $182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St Jude Medical and Alere acquisitions. The following summarizes the activity related to these actions and the status of the related accruals:

(in millions)	
Liabilities assumed as part of business acquisitions	$ 23
Restructuring charges	187
Payments and other adjustments	(142)
Accrued balance at December 31, 2017	68
Restructuring charges	52
Payments and other adjustments	(79)
	$ 41

Accrued balance at December 31, 2018	

From 2016 to 2018, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $28 million in 2018, $120 million in 2017 and $32 million in 2016. Approximately $10 million in 2018, $7 million in 2017, and $9 million in 2016 are recorded in Cost of products sold, approximately $2 million in 2018, $77 million in 2017 and $5 million in 2016 are recorded in Research and development and approximately $16 million in 2018, $36 million in 2017 and $18 million in 2016 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 and 2016 were recorded primarily for accelerated depreciation.

Note 9 — Restructuring Plans (Continued)

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges	$ 32
Payments and other adjustments	(15)
Accrued balance at December 31, 2016	17
Restructuring charges	120
Payments and other adjustments	(18)
Accrued balance at December 31, 2017	119
Restructuring charges	28
Payments and other adjustments	(77)
Accrued balance at December 31, 2018	$ 70

Note 10 — Incentive Stock Program

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2018, Abbott granted 5,760,221 stock options, 871,331 restricted stock awards and 8,093,546 restricted stock units under this program.

Under Abbott's stock incentive 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 generally vest equally over three years. Restricted stock awards generally vest over 3 years, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2018, approximately 144 million shares remained available for future issuance.

In connection with the completion of the St. Jude Medical acquisition in the first quarter of 2017, unvested St. Jude Medical stock options and restricted stock units were assumed by Abbott and converted into Abbott options and restricted stock units (as applicable) of substantially equivalent value, in accordance with the merger agreement. The number of shares underlying the converted options was 7,364,571 at a weighted average exercise price of $30.50. The number of restricted stock units converted was 2,324,500 at a weighted average grant date fair value of $37.69.

Note 10 — Incentive Stock Program (Continued)

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2018 and December 31, 2017 was 15,952,602 and $52.11 and 15,518,719 and $42.82, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2018 were 8,964,877 and $60.10, 7,522,375 and $42.85 and 1,008,619 and $49.27, respectively. The fair market value of restricted stock awards and units vested in 2018, 2017 and 2016 was $458 million, $348 million and $225 million, respectively.

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2017	35,813,800	$ 36.85	5.8	22,216,890	$ 34.54	4.7
Granted	5,760,221	60.02				
Exercised	(7,690,569)	30.34				
Lapsed	(808,839)	44.77				
December 31, 2018	33,074,613	$ 42.21	6.3	21,660,783	$ 38.05	5.3

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2018 were $996 million and $743 million, respectively. The total intrinsic value of options exercised in 2018, 2017 and 2016 was $249 million, $233 million and $98 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2018 amounted to approximately $364 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2018, 2017 and 2016 for share-based plans totaled approximately $477 million, $406 million and $310 million, respectively, and the tax benefit recognized was approximately $185 million, $242 million and $100 million, respectively. The decrease in the tax benefit in 2018

primarily relates to the Tax Cuts and Jobs Act (TCJA), which reduces the U.S. federal corporate tax rate from 35% to 21%. The increase in the 2017 tax benefit primarily relates to the $120 million of tax benefit recorded in income after the adoption of ASU 2016-09. Stock compensation cost capitalized as part of inventory is not significant.

The fair value of an option granted in 2018, 2017 and 2016 was $10.93, $6.54, and $4.38, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2018	2017	2016
Risk-free interest rate	2.7 %	2.1 %	1.4 %
Average life of options (years)	6.0	6.0	6.0
Volatility	19.0 %	18.0 %	17.0 %
Dividend yield	1.9 %	2.4 %	2.7 %

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 11 — Debt and Lines of Credit

The following is a summary of long-term debt at December 31: (*in millions*)

	2018	2017
5.125% Notes, due 2019	$ —	$ 947
2.35% Notes, due 2019	—	2,850
2.50% Line of credit borrowing due 2019	—	1,150
0.00% Notes, due 2020	1,300	—
2.80% Notes, due 2020	500	500
4.125% Notes, due 2020	—	597
2.00% Notes, due 2020	—	750
2.90% Notes, due 2021	2,850	2,850
2.55% Notes, due 2022	750	750
2.62% Term loan due 2022	—	2,800
0.875% Notes, due 2023	1,303	—
3.25% Notes, due 2023	—	900
3.40% Notes, due 2023	1,050	1,500

3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,300	—
3.75% Notes, due 2026	1,700	3,000
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(102)	(119)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(148)	(121)
Total, net of current maturities	19,359	27,210
Current maturities of long-term debt	7	508
Total carrying amount	$ 19,366	$ 27,718

On February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization include the following:

•

$0.947 billion principal amount of its 5.125% Notes due 2019 — redeemed on March 22, 2018

- $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019 — redeemed on March 22, 2018
- $1.300 billion of the $1.795 billion outstanding principal amount of its 2.35% Notes due 2019 — redeemed on June 22, 2018
- $0.495 billion outstanding principal amount of its 2.35% Notes due 2019 — redeemed on September 28, 2018

Note 11 — Debt and Lines of Credit (Continued)

On January 25, 2019, Abbott gave notice to the holders of its 2.80% Notes due 2020, that it will redeem the $500 million outstanding principal amount of these notes on February 24, 2019. After the redemption of the 2.80% Notes, approximately $700 million of the $5 billion debt redemption authorization noted above will remain available.

Abbott incurred a net charge of $14 million related to the March 22, 2018 early repayment of debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt consisting of €1.140 billion of non-interest bearing Senior Notes due 2020 at 99.727% of par value; €1.140 billion of 0.875% Senior Notes due 2023 at 99.912% of par value; and €1.140 billion of 1.50% Senior Notes due 2026 at 99.723% of par value. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. These amounts are in addition to the $5 billion authorization discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On November 30, 2018, Abbott entered into a Five Year Credit Agreement (Revolving Credit Agreement) and terminated the 2014 revolving credit agreement. There were no outstanding borrowings under the 2014 revolving credit agreement at the time of its termination. The Revolving Credit Agreement provides Abbott with the ability to borrow up to $5 billion on an unsecured basis. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 30, 2023. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott's long-term debt increased due to the assumption of outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of:

	Principal Amount
2.00% Senior Notes due 2018	$ 473.8 million
2.80% Senior Notes due 2020	$ 483.7 million
3.25% Senior Notes due 2023	$ 818.4 million
3.875% Senior Notes due 2025	$ 490.7 million
4.75% Senior Notes due 2043	$ 639.1 million

Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remained outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the

Note 11 — Debt and Lines of Credit (Continued)

first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed $2.0 billion under a 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

In 2017, Abbott issued 364-day yen-denominated debt, of which $199 million and $195 million was outstanding at December 31, 2018 and 2017, respectively. In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to $2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed $2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017 Abbott borrowed $1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit were part of a 2014 revolving credit agreement that provided Abbott with the ability to borrow up to $5 billion on an unsecured basis. Advances under the revolving credit agreement, including the $1.7 billion borrowing in October 2017, were scheduled to mature and be payable on July 10, 2019. The $1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off $550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.

In November 2016, Abbott issued $15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued $2.85 billion of 2.35% Senior Notes due November 22, 2019; $2.85 billion of 2.90% Senior Notes due November 30, 2021; $1.50 billion of 3.40% Senior Notes due November 30, 2023; $3.00 billion of 3.75% Senior Notes due November 30, 2026; $1.65 billion of 4.75% Senior Notes due November 30, 2036; and $3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt,

which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed $9 billion in conjunction with its pending acquisition of Alere. This commitment, which was automatically extended for up to 90 days on January 29, 2017, expired on April 30, 2017 and was not renewed since Abbott did not need this bridge facility to finance the Alere acquisition. The fees associated with the bridge facilities were recognized in interest expense.

Note 11 — Debt and Lines of Credit (Continued)

Principal payments required on long-term debt outstanding at December 31, 2018 are $7 million in 2019, $1.8 billion in 2020, $2.9 billion in 2021, $750 million in 2022, $2.3 billion in 2023 and $11.8 billion in 2024 and thereafter.

At December 31, 2018, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa1 by Moody's. Abbott has readily available financial resources, including lines of credit of $5.0 billion which expire in 2023 and support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2018, 0.3% at December 31, 2017 and 0.6% at December 31, 2016.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures

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, with gross notional amounts totaling $5.1 billion at December 31, 2018, and $3.3 billion at December 31, 2017, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2018 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and 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. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2018, 2017 and 2016, Abbott held gross notional amounts of $13.6 billion, $20.1 billion and $14.9 billion, respectively, of such foreign currency forward exchange contracts.

In March 2017, Abbott repaid its $479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2018, $4.0 billion at December 31, 2017 and $5.5 billion at December 31, 2016, to manage its exposure to changes in the fair value of fixed-rate debt. 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. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

In October 2018, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. As a part of the unwinding, Abbott paid approximately $90 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2018.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

In the second quarter of 2017, Abbott unwound approximately $1.5 billion in interest rate swaps relating to the 2.00% Note due in 2020 and the 2.55% Note due in 2022. The proceeds received were not significant.

In December 2016, Abbott unwound approximately $1.5 billion in interest rate swaps relating to the 4.125% Note due in 2020 and the 5.125% Note due in 2019. As part of the unwinding, Abbott received approximately $55 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2016.

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value — Assets			Fair Value — Liabilities		
(in millions)	**2018**	**2017**	**Balance Sheet Caption**	**2018**	**2017**	**Balance Sheet Caption**
Interest rate swaps designated as fair value hedges	$ —	$ —	Deferred income taxes and other assets	$ 100	$ 93	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts —						
Hedging instruments	81	21	Other prepaid expenses and receivables	44	106	Other accrued liabilities
Others not designated as hedges	33	117	Other prepaid expenses and receivables	51	99	Other accrued liabilities
	$ 114	$ 138		$ 195	$ 298	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income.

(in millions)	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			Income Statement Caption
	2018	2017	2016	2018	2017	2016	
Foreign currency forward exchange contracts designated as cash flow hedges	$ 73	$ (226)	$ 49	$ (114)	$ (48)	$ 48	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	—	(25)	(15)	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(97)	(24)	(127)	Interest expense

Losses of $100 million and $64 million, and gains of $8 million were recognized in 2018, 2017 and 2016, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps 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. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

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.

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

(in millions)	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 856	$ 856	$ 797	$ 797
Other	41	41	86	86
Total Long-Term Debt	(19,366)	(19,871)	(27,718)	(29,018)
Foreign Currency Forward Exchange Contracts:				
Receivable position	114	114	138	138
(Payable) position	(95)	(95)	(205)	(205)
Interest Rate Hedge Contracts:				
(Payable) position	(100)	(100)	(93)	(93)

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

(in millions)	Outstanding Balances	Basis of Fair Value Measurement		
		Quoted Prices in	Significant Other	Significant Unobservable Inputs

		Active Markets	Observable Inputs	
December 31, 2018:				
Equity securities	$ 320	$ 320	$ —	$ —
Foreign currency forward exchange contracts	114	—	114	—
Total Assets	$ 434	$ 320	$ 114	$ —
Fair value of hedged long-term debt	$ 2,743	$ —	$ 2,743	$ —
Interest rate swap financial instruments	100	—	100	—
Foreign currency forward exchange contracts	95	—	95	—
Contingent consideration related to business combinations	71	—	—	71
Total Liabilities	$ 3,009	$ —	$ 2,938	$ 71
December 31, 2017:				
Equity securities	$ 374	$ 374	$ —	$ —
Foreign currency forward	138	—	138	—

exchange contracts				
Total Assets	$ 512	$ 374	$ 138	$ —
Fair value of hedged long-term debt	$ 3,898	$ —	$ 3,898	$ —
Interest rate swap financial instruments	93	—	93	—
Foreign currency forward exchange contracts	205	—	205	—
Contingent consideration related to business combinations	120	—	—	120
Total Liabilities	$ 4,316	$ —	$ 4,196	$ 120

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

Contingent consideration relates to businesses acquired by Abbott. The fair value of the contingent consideration was determined based on independent appraisals, at the time of the business acquisition, adjusted for the time value of money and other changes in fair value. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately $480 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

Note 13 — Litigation and Environmental Matters

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. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $125 million to $165 million. The recorded accrual balance at December 31, 2018 for these proceedings and exposures was approximately $145 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 14 — Post-Employment Benefits

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	
(in millions)	**2018**	**2017**	**2018**	**2017**
Projected benefit obligations, January 1	$ 9,953	$ 8,517	$ 1,393	$ 1,274
Service cost — benefits earned during the year	293	283	26	25
Interest cost on projected benefit obligations	308	287	48	45
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	(1,044)	752	(106)	149
Benefits paid	(295)	(276)	(68)	(80)
Other, including foreign currency translation	(122)	390	(1)	(20)
Projected benefit obligations, December 31	$ 9,093	$ 9,953	$ 1,292	$ 1,393
	$ 9,298	$ 7,542	$ 419	$ 416

Plan assets at fair value, January 1				
Actual return (loss) on plans' assets	(450)	1,107	(20)	65
Company contributions	114	645	12	12
Benefits paid	(295)	(276)	(60)	(74)
Other, including foreign currency translation	(114)	280	—	—
Plan assets at fair value, December 31	$ 8,553	$ 9,298	$ 351	$ 419
Projected benefit obligations greater than plan assets, December 31	$ (540)	$ (655)	$ (941)	$ (974)
Long-term assets	$ 583	$ 563	$ —	$ —
Short-term liabilities	(23)	(21)	(1)	(2)
Long-term liabilities	(1,100)	(1,197)	(940)	(972)
Net liability	$ (540)	$ (655)	$ (941)	$ (974)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 3,326	$ 3,466	$ 361	$ 456
Prior service cost (credits)	(2)	(9)	(163)	(208)
	$ 3,324	$ 3,457	$ 198	$ 248

	Total

The projected benefit obligations for non-U.S. defined benefit plans was $2.7 billion and $3.0 billion at December 31, 2018 and 2017, respectively. The accumulated benefit obligations for all defined benefit plans were $8.3 billion and $8.9 billion at December 31, 2018 and 2017, respectively.

Note 14 — Post-Employment Benefits (Continued)

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2018 and 2017, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2018	2017
Accumulated benefit obligation	$ 1,265	$ 1,664
Projected benefit obligation	1,362	1,892
Fair value of plan assets	375	696

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2018	2017	2016	2018	2017	2016
Service cost — benefits earned during the year	$ 293	$ 283	$ 263	$ 26	$ 25	$ 26
Interest cost on projected benefit obligations	308	287	288	48	45	43
Expected return on plans' assets	(680)	(613)	(565)	(33)	(33)	(35)
Amortization of actuarial losses	205	163	129	33	23	16
Amortization of prior service cost (credits)	1	1	—	(45)	(45)	(45)
Total cost	$ 127	$ 121	$ 115	$ 29	$ 15	$ 5

In 2017, Abbott recognized a $10 million curtailment gain related to the sale of AMO.

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of $86 million for defined benefit plans and a gain of $53 million for medical and dental plans in 2018; net actuarial losses of $247 million for defined benefit plans and $97 million for medical and dental plans in 2017; net actuarial losses of $571 million for defined benefit plans and $20 million for medical and dental plans in 2016.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2018 that is expected to be recognized in the net periodic benefit cost in 2019 is $130 million and $1 million of expense, respectively, for defined benefit pension plans and $24 million of expense and $32 million of income, respectively, for medical and dental plans.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2018	2017	2016
Discount rate	4.0 %	3.4 %	3.9 %
Expected aggregate average long-term change in compensation	4.3 %	4.4 %	4.3 %

Note 14 — Post-Employment Benefits (Continued)

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2018	2017	2016
Discount rate	3.4 %	3.9 %	4.3 %
Expected return on plan assets	7.7 %	7.6 %	7.6 %
Expected aggregate average long-term change in compensation	4.4 %	4.3 %	4.3 %

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2018	2017	2016
Health care cost trend rate assumed for the next year	9 %	9 %	8 %
Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2025	2027	2027

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. 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, 2018, by $157 million / $(131) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $12 million/$(10) million.

Note 14 — Post-Employment Benefits (Continued)

The following table summarizes the basis used to measure the defined benefit and medical and dental plan assets at fair value:

		Basis of Fair Value Measurement			
(in millions)	**Outstanding Balances**	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Measured at NAV (k)**
December 31, 2018:					
Equities:					
U.S. large cap (a)	$ 2,168	$ 1,319	$ 5	$ —	$ 844
U.S. mid and small cap (b)	515	226	—	—	289
International (c)	1,671	370	—	—	1,301
Fixed income securities:					
U.S. government securities (d)	476	51	269	—	156
Corporate debt instruments (e)	1,150	269	701	—	180
Non-U.S. government securities (f)	405	5	—	—	400
	199	15	55	—	129

Other (g)					
Absolute return funds (h)	1,684	448	—	—	1,236
Commodities (i)	59	—	—	4	55
Cash and Cash Equivalents	192	123	—	—	69
Other (j)	385	11	—	—	374
	$ 8,904	$ 2,837	$ 1,030	$ 4	$ 5,033
December 31, 2017:					
Equities:					
U.S. large cap (a)	$ 2,506	$ 1,600	$ —	$ —	$ 906
U.S. mid and small cap (b)	670	243	—	—	427
International (c)	1,937	448	—	—	1,489
Fixed income securities:					
U.S. government securities (d)	510	11	286	—	213
Corporate debt instruments (e)	930	107	411	—	412
Non-U.S. government securities (f)	625	222	—	—	403
	216	93	27	—	96

Other (g)					
Absolute return funds (h)	1,814	135	—	—	1,679
Commodities (i)	60	—	—	4	56
Cash and Cash Equivalents	178	12	—	—	166
Other (j)	271	7	—	—	264
	$ 9,717	$ 2,878	$ 724	$ 4	$ 6,111

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

Note 14 — Post-Employment Benefits (Continued)

(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Japan and Irish government-issued bonds. In 2017, included Netherlands bonds.

(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.

(h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

(i) Primarily investments in liquid commodity future contracts and private energy funds.

(j) Primarily investments in private funds, such as private equity, private credit and private real estate.

(k) In accordance with ASU 2015-07, investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the net asset value (NAV) provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2018 and 2017. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2018 and 2017. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 45 days. For approximately $100 million of the absolute return funds, redemptions are subject to a 25 percent gate. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2019 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2018 and 2017 were not

significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2019 to 2028. Abbott's unfunded commitment in these funds was $518 million and $489 million as of December 31, 2018 and 2017, respectively.

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $114 million in 2018 and $645 million in 2017 to defined pension plans. Abbott expects to contribute approximately $380 million to its pension plans in 2019.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2019	$ 306	$ 74
2020	317	77
2021	333	78
2022	351	79

2023	369	80
2024 to 2028	2,160	418

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $146 million in 2018, $79 million in 2017 and $83 million in 2016. The 2018 contributions include amounts related to participants of the St. Jude Medical Retirement Plan which was terminated in January 2018.

Note 15 — Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax

on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott has completed its accounting for all of the enactment date income tax effects of the TCJA. If additional regulations issued by the U.S. Department of the Treasury after December 31, 2018 result in a change in judgment, the effect of such regulations will be accounted for in the period in which the regulations are finalized.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the FASB staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2018, the remaining balance of Abbott's transition tax obligation is approximately $1.58 billion, which will be paid over the next eight years as allowed by the TCJA.

In 2018, taxes on earnings from continuing operations includes $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes on earnings from continuing operations included $435 million of tax expense related to the gain on the sale of the AMO business. In 2016, taxes on earnings from continuing operations included the impact of a net tax benefit of approximately $225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO.

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2014 and the former St. Jude Medical consolidated group which are settled through 2013. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

Note 15 — Taxes on Earnings from Continuing Operations (Continued)

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

(in millions)	2018	2017	2016
Earnings From Continuing Operations Before Taxes:			
Domestic	$ (430)	$ 308	$ 306
Foreign	3,303	1,923	1,107
Total	$ 2,873	$ 2,231	$ 1,413
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ (812)	$ 2,260	$ 71
Foreign	606	508	406
Total current	(206)	2,768	477
Deferred:			
Domestic	832	(679)	(147)

Foreign	(87)	(211)	20
Total deferred	745	(890)	(127)
Total	$ 539	$ 1,878	$ 350

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

	2018	2017	2016
Statutory tax rate on earnings from continuing operations	21.0 %	35.0 %	35.0 %
Impact of foreign operations	(5.4)	(16.3)	(17.8)
Impact of TCJA and other related items	6.3	65.5	—
Foreign-derived intangible income benefit	(1.9)	—	—
Domestic impairment loss	(2.1)	—	—
Excess tax benefits related to stock compensation	(3.1)	(5.4)	—
Research tax credit	(1.8)	(1.9)	(1.8)
Resolution of certain tax positions pertaining to prior years	3.4	—	(16.1)
Mylan share adjustment	—	—	25.5
State taxes, net of federal benefit	0.4	0.5	(1.3)
Federal tax cost on sale of Mylan N.V. shares	—	3.4	—
	2.0	3.4	1.3

All other, net			
Effective tax rate on earnings from continuing operations	18.8 %	84.2 %	24.8 %

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore.

Note 15 — Taxes on Earnings from Continuing Operations (Continued)

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2018	2017
Deferred tax assets:		
Compensation and employee benefits	$ 829	$ 881
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,546	2,857
Trade receivable reserves	196	185
Inventory reserves	97	152
Deferred intercompany profit	203	249
Total deferred tax assets before valuation allowance	3,871	4,324
Valuation allowance	(1,363)	(1,355)
Total deferred tax assets	2,508	2,969
Deferred tax liabilities:		
Depreciation	(226)	(200)
Other, primarily the excess of book basis over tax basis of intangible assets	(3,557)	(3,385)

Total deferred tax liabilities	(3,783)	(3,585)
Total net deferred tax assets (liabilities)	$ (1,275)	$ (616)

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	**2018**	**2017**
January 1	$ 1,440	$ 972
Decrease in tax positions due to acquisitions	(13)	—
Increase in tax positions due to acquisitions	—	479
Increase due to current year tax positions	164	187
Increase due to prior year tax positions	235	76
Decrease due to prior year tax positions	(611)	(176)
Settlements	(91)	(57)
Lapse of statute	(4)	(41)
December 31	$ 1,120	$ 1,440

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.02 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $125 million to $350 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 16 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. On January 4, 2017, Abbott completed the acquisition of St. Jude Medical. Beginning with the first quarter of 2017, Abbott's cardiovascular and neuromodulation business includes the results of its historical Vascular Products segment and the results of the businesses acquired from St. Jude Medical from the date of acquisition. On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

Established Pharmaceutical Products — International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products — Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Rapid Diagnostics, Molecular Diagnostics and Point of Care divisions are aggregated and reported as the Diagnostic Products segment. Rapid Diagnostics is the business acquired from Alere.

Cardiovascular and Neuromodulation Products — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart and neuromodulation products. For segment reporting purposes, the Cardiac Arrhythmias & Heart Failure, Vascular, Neuromodulation and Structural Heart divisions are aggregated and reported as the Cardiovascular and Neuromodulation segment.

Non-reportable segments include AMO through the date of sale and Diabetes Care.

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. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

Note 16 — Segment and Geographic Area Information (Continued)

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 (a)			Operating Earnings (a)		
(in millions)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Established Pharmaceuticals	$ 4,422	$ 4,287	$ 3,859	$ 894	$ 848	$ 723
Nutritionals	7,229	6,925	6,899	1,652	1,589	1,660
Diagnostics	7,495	5,616	4,813	1,868	1,468	1,194
Cardiovascular and Neuromodulation	9,437	8,911	2,896	2,990	2,720	1,037
Total Reportable Segments	28,583	25,739	18,467	$ 7,404	$ 6,625	$ 4,614
Other	1,995	1,651	2,386			
Total	$ 30,578	$ 27,390	$ 20,853			

(a) Net sales were unfavorably affected by the relatively stronger U.S. dollar in 2018 and 2016. Operating earnings were unfavorably affected by the impact of foreign exchange in 2018, 2017 and 2016.

(in millions)	**2018**	**2017**	**2016**
Total Reportable Segment Operating Earnings	$ 7,404	$ 6,625	$ 4,614
	(618)	(506)	(411)

Corporate functions and benefit plans costs			
Non-reportable segments	510	306	304
Net interest expense	(721)	(780)	(332)
Loss on extinguishment of debt	(167)	—	—
Share-based compensation	(477)	(406)	(310)
Amortization of intangible assets	(2,178)	(1,975)	(550)
Other, net (b)	(880)	(1,033)	(1,902)
Earnings from Continuing Operations before Taxes	$ 2,873	$ 2,231	$ 1,413

(b) Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2018. In 2017, Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business. In 2016, Other, net includes the $947 million adjustment of the Mylan equity investment and $480 million of foreign currency exchange loss related to operations in Venezuela. Charges for restructuring actions and other cost reduction initiatives were approximately $153 million in 2018, $384 million in 2017 and $167 million in 2016.

Note 16 — Segment and Geographic Area Information (Continued)

	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
(in millions)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**20**
Established Pharmaceuticals	$ 92	$ 90	$ 71	$ 131	$ 181	$ 150	$ 2,664	$ 2,728	$
Nutritionals	150	164	160	86	147	199	3,071	3,160	
Diagnostics	397	300	267	609	374	379	4,464	4,226	
Cardiovascular and Neuromodulation	248	298	69	183	206	23	4,910	5,074	
Total Reportable Segments	887	852	567	1,009	908	751	$ 15,109	$ 15,188	$
Other	213	194	236	385	227	370			
Total	$ 1,100	$ 1,046	$ 803	$ 1,394	$ 1,135	$ 1,121			

(c) Amounts exclude property, plant and equipment acquired through business acquisitions.

(in millions)	**2018**	**2017**	**2016**
Total Reportable Segment Assets	$ 15,109	$ 15,188	$ 10,045
Cash and investments	4,983	10,493	21,722
Non-reportable segments	991	740	1,280

Goodwill and intangible assets (d)	42,196	45,493	12,222
All other (d)	3,894	4,336	7,397
Total Assets	$ 67,173	$ 76,250	$ 52,666

(d) Goodwill and intangible assets related to AMO are included in the All other line in 2016.

	Net Sales to External Customers (e)		
(in millions)	**2018**	**2017**	**2016**
United States	$ 10,839	$ 9,673	$ 6,486
China	2,311	2,146	1,728
Germany	1,619	1,366	1,044
India	1,333	1,237	1,114
Japan	1,326	1,255	924
Switzerland	1,005	841	766
The Netherlands	930	929	830
All Other Countries	11,215	9,943	7,961
Consolidated	$ 30,578	$ 27,390	$ 20,853

(e) Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2018 and 2017, long-lived assets totaled $8.7 billion and $8.9 billion, respectively, and in the United States such assets totaled $4.3 billion and $4.5 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 17 — Quarterly Results (Unaudited)

(in millions except per share data)	2018	2017
First Quarter		
Continuing Operations:		
Net Sales	$ 7,390	$ 6,335
Gross Profit	3,739	2,751
Earnings from Continuing Operations	409	386
Basic Earnings per Common Share	0.23	0.22
Diluted Earnings per Common Share	0.23	0.22
Net Earnings	418	419
Basic Earnings Per Common Share (a)	0.24	0.24
Diluted Earnings Per Common Share (a)	0.23	0.24
Market Price Per Share-High	64.60	45.84
Market Price Per Share-Low	55.58	38.34
Second Quarter		
Continuing Operations:		

Net Sales	$ 7,767	$ 6,637
Gross Profit	3,923	3,056
Earnings from Continuing Operations	718	270
Basic Earnings per Common Share	0.41	0.15
Diluted Earnings per Common Share	0.40	0.15
Net Earnings	733	283
Basic Earnings Per Common Share (a)	0.42	0.16
Diluted Earnings Per Common Share (a)	0.41	0.16
Market Price Per Share-High	63.85	49.59
Market Price Per Share-Low	56.81	42.31

Third Quarter

Continuing Operations:

Net Sales	$ 7,656	$ 6,829
Gross Profit	3,946	3,452
Earnings from Continuing Operations	552	561
Basic Earnings per Common Share	0.31	0.32
Diluted Earnings per Common Share	0.31	0.32
Net Earnings	563	603

Basic Earnings Per Common Share (a)	0.32	0.34
Diluted Earnings Per Common Share (a)	0.32	0.34
Market Price Per Share-High	73.58	54.80
Market Price Per Share-Low	60.32	47.83

Fourth Quarter

Continuing Operations:		
Net Sales	$ 7,765	$ 7,589
Gross Profit	4,086	3,747
Earnings (Loss) from Continuing Operations	655	(864)
Basic Earnings (Loss) per Common Share	0.37	(0.50)
Diluted Earnings (Loss) per Common Share	0.37	(0.50)
Net Earnings (Loss)	654	(828)
Basic Earnings (Loss) Per Common Share (a)	0.37	(0.48)
Diluted Earnings (Loss) Per Common Share (a)	0.37	(0.48)
Market Price Per Share-High	74.92	57.77
Market Price Per Share-Low	65.44	53.20

(a) The sum of the four quarters of earnings per share for 2018 and 2017 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2018, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 97.

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

Brian B. Yoor
Executive Vice President, Finance and Chief Financial Officer

Robert E. Funck
Senior Vice President, Finance and Controller

February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 22, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on Internal Control over Financial Reporting

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2018, and the related notes of the Company and our report dated February 22, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and

fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 22, 2019

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Miles D. White, and the Chief Financial Officer, Brian B. Yoor, evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 95 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 96 hereof.

Changes in internal control over financial reporting. During the quarter ended December 31, 2018, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2019 Abbott Laboratories Proxy Statement. The 2019 Proxy Statement will be filed on or about March 15, 2019. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 17 through 20 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2019 Proxy Statement under the headings "2018 Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*.

The following table presents information as of December 31, 2018 about our compensation plans under which Abbott common shares have been authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities

			reflected in column (a))
Equity compensation plans approved by security holders (1)	30,425,425	$ 43.23	157,934,888
Equity compensation plans not approved by security holders	0	—	0
Total (1)(2)	30,425,425	$ 43.23	157,934,888

(1) (i) *Abbott Laboratories 1996 Incentive Stock Program*. Benefits under the 1996 Program include stock options intended to qualify for special tax treatment under Section 422 of the Internal Revenue Code, stock options that do not qualify for that special tax treatment ("non-qualified stock options"), restricted stock, restricted stock units, stock appreciation rights, performance awards, and foreign qualified benefits. The shares that remain available for issuance under the 1996 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards may be satisfied only from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 1996 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program"). If shares are issued under any benefit under the 1996 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 1996 Program.

In April 2009, the 1996 Program was replaced by the 2009 Program. No further awards will be granted under the 1996 Program.

(ii) *Abbott Laboratories 2009 Incentive Stock Program*. Benefits under the 2009 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

(iii) *Abbott Laboratories 2017 Incentive Stock Program*. Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

(iv) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees*. Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2018, an aggregate of 13,708,139 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

(2) Not included in the table: *St. Jude Medical, Inc. Plans*. In 2017, in connection with the acquisition of St. Jude Medical, Inc., options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) were assumed by Abbott and converted into Abbott options of substantially equivalent value. As of December 31, 2018, 2,649,188 options remained outstanding under these plans. These options have a weighted average purchase price of $30.42. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 1996 Incentive Stock Program, the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 10 entitled "Incentive Stock Program" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" and "Information Concerning Security Ownership" in the 2019 Proxy Statement. The 2019 Proxy Statement will be filed on or about March 15, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2019 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2019 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 49 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 of Abbott Laboratories:

Abbott Laboratories Financial Statement Schedules	**Page No.**
Valuation and Qualifying Accounts (Schedule II)	115
Schedules I, III, IV, and V are not submitted because they are not applicable or not required	
Report of Independent Registered Public Accounting Firm	116
Individual Financial Statements of businesses acquired by the registrant have been omitted pursuant to Rule 3.05 of Regulation S-X	

(3) *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is set forth in Item 15(b) below.

(b) Exhibits filed.

10-K Exhibit Table Item No.

2.1	*Agreement and Plan of Merger dated as of January 30, 2016, among Alere Inc. and Abbott Laboratories, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated January 30, 2016.
2.2	*Amendment to Agreement and Plan of Merger, dated as of April 13, 2017, among Alere Inc., Abbott Laboratories and Angel Sub, Inc., filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 14, 2017.
2.3	*Agreement and Plan of Merger, dated as of April 27, 2016, by and among Abbott Laboratories, St. Jude Medical, Inc., Vault Merger Sub, Inc. and Vault Merger Sub, LLC, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 27, 2016.
2.4	*Stock Purchase Agreement, dated as of September 14, 2016, by and between Abbott Laboratories and Chace LLC and, solely for certain purposes, Johnson & Johnson, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated September 14, 2016.

Certain schedules and exhibits have been omitted from these filings pursuant to Item 601(b)(2) of Regulation S-K. Abbott will furnish supplemental copies of any such schedules or exhibits to the U.S. Securities and Exchange Commission upon request.

3.1	*Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
3.2	*By-Laws of Abbott Laboratories, as amended and restated effective June 8, 2018, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated June 8, 2018.

10-K Exhibit Table Item No.	
4.1	*Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
4.2	*Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
4.3	*Form of $1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.4	*Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.5	*Form of $1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.6	*Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.7	*Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.8	*Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.9	*Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S.

	Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.10	*Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.11	*Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.12	*Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.13	*Form of 2.900% Notes due 2021, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.14	*Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.15	*Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.

10-K Exhibit Table Item No.	
4.16	*Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.17	*Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.18	*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2016 Annual Report on Form 10-K.
4.19	*Form of 2.800% Notes due 2020, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.20	*Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.21	*Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.22	*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.
4.23	†Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.
4.24	†Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes

	due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
4.25	†Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
4.26	†Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.
4.27	*Form of Seventh Supplemental Indenture between St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.3 to the Abbott Laboratories Registration Statement on Form S-4 dated February 21, 2017.
4.28	*Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.

10-K Exhibit Table Item No.	
4.29	*First Supplemental Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and transfer agent, and Elavon Financial Services DAC, as registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.
4.30	*Form of 0.000% Note due 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.31	*Form of 0.875% Note due 2023 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
4.32	*Form of 1.500% Note due 2026 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).
	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	*Abbott Laboratories Deferred Compensation Plan, as amended, filed as Exhibit 10.2 to the 2017 Abbott Laboratories Annual Report on Form 10-K.**
10.3	*Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.4	*Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**

10.5	*1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.6	*1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.7	*Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.8	*Abbott Laboratories 1996 Incentive Stock Program, as amended and restated through the 6th Amendment February 20, 2009, filed as Exhibit 10.11 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.**
10.9	*Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.10	*Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017)
10.11	*Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.12	*Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**

10-K Exhibit Table Item No.	
10.13	*Form of Employee Stock Option Agreement for a new Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**
10.14	*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2006.**
10.15	*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 20, 2009, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated February 20, 2009.**
10.16	*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.17	*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.18	*Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.19	*Form of Restricted Stock Unit Agreement (ratably vested), filed as Exhibit 10.37 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.20	*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested), filed as Exhibit 10.38 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10.21	*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based), filed as Exhibit 10.39 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.22	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.23	*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based), filed as Exhibit 10.41 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.24	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.25	*Form of Restricted Stock Unit Agreement (cliff vested), filed as Exhibit 10.43 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.26	*Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.27	*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested), filed as Exhibit 10.45 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.	
10.28	*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.29	*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.30	*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.31	*Form of Restricted Stock Unit Agreement for Participants in France, filed as Exhibit 10.49 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.32	*Form of Restricted Stock Agreement (ratably vested), filed as Exhibit 10.50 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.33	*Form of Restricted Stock Agreement for executive officers (ratably vested), filed as Exhibit 10.51 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.34	*Form of Performance Restricted Stock Agreement (annual performance based), filed as Exhibit 10.52 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.35	*Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.36	*Form of Performance Restricted Stock Agreement (interim performance based), filed as Exhibit 10.54 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10.37	*Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.38	*Form of Restricted Stock Agreement (cliff vested), filed as Exhibit 10.56 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.39	*Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.40	*Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.41	*Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.42	*Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.43	*Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.44	*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.45	*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.	
10.46	*Form of Restricted Stock Unit Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.47	*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.48	*Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.49	*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.50	*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.51	*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.52	*Form of Restricted Stock Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.53	*Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10.54	*Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.55	*Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.56	*Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.57	*Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.58	*Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.59	*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.	
10.60	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.61	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.62	*Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.63	*Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.64	*Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.65	*Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.66	*Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10.67	*Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.68	*Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.69	*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.70	*Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.71	*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.72	*Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.**

10-K Exhibit Table Item No.	
10.73	*Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2018, filed as Exhibit 10.49 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.74	Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2020.**
10.75	*Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.**
10.76	*2004 Stock Incentive Plan, as amended and restated, filed as Exhibit 4.5 to the Abbott Laboratories Registration Statement on Form S-8 dated March 20, 2009.**
10.77	†St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.**
10.78	†Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.**
10.79	†Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.80	†Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive

	Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.81	*Management Savings Plan, as amended and restated, filed as Exhibit 10.83 to the 2017 Abbott Laboratories Annual Report on Form 10-K.**
10.82	Five Year Credit Agreement, dated as of November 30, 2018, among Abbott Laboratories, various financial institutions, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent.
21	Subsidiaries of Abbott Laboratories.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.

10-K Exhibit Table Item No.	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 22, 2019, formatted in XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.

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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.

† Incorporated herein by reference. Commission file number 1-12441.

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

(c) Financial Statement Schedule filed (page 115*).*

ITEM 16. FORM 10-K SUMMARY

None.

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

/s/ MILES D. WHITE

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

Date: February 22, 2019

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 22, 2019 in the capacities indicated below.

/s/ MILES D. WHITE	/s/ BRIAN B. YOOR
Miles D. White Chairman of the Board, Chief Executive Officer and Director of Abbott Laboratories (principal executive officer)	Brian B. Yoor Executive Vice President, Finance and Chief Financial Officer (principal financial officer)
/s/ ROBERT E. FUNCK	
Robert E. Funck Senior Vice President, Finance and Controller (principal accounting officer)	
/s/ ROBERT J. ALPERN, M.D.	/s/ ROXANNE S. AUSTIN
Robert J. Alpern, M.D. Director of Abbott Laboratories	Roxanne S. Austin Director of Abbott Laboratories
/s/ SALLY E. BLOUNT, PH.D.	/s/ MICHELLE A. KUMBIER
Sally E. Blount, Ph.D. Director of Abbott Laboratories	Michelle A. Kumbier Director of Abbott Laboratories
/s/ EDWARD M. LIDDY	/s/ NANCY MCKINSTRY
Edward M. Liddy Director of Abbott Laboratories	Nancy McKinstry Director of Abbott Laboratories

/s/ PHEBE N. NOVAKOVIC	/s/ WILLIAM A. OSBORN
Phebe N. Novakovic Director of Abbott Laboratories	William A. Osborn Director of Abbott Laboratories
/s/ SAMUEL C. SCOTT III	/s/ DANIEL J. STARKS
Samuel C. Scott III Director of Abbott Laboratories	Daniel J. Starks Director of Abbott Laboratories
/s/ JOHN G. STRATTON	/s/ GLENN F. TILTON
John G. Stratton Director of Abbott Laboratories	Glenn F. Tilton Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2018	$ 294	$ 110	$ (90)	$ 314
2017	250	105	(61)	294
2016	337	92	(179)	250

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated February 22, 2019 (included elsewhere in this Annual Report on Form 10-K). Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K (the "schedule"). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Chicago, Illinois
February 22, 2019

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

FORM 10-K

(MARK ONE)	
ý	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017	**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**	**(224) 667-6100** (telephone number)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Shares, Without Par Value	New York Stock Exchange Chicago Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes o No ý

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

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý	**Accelerated Filer o**	**Non-Accelerated Filer o (Do not check if a smaller reporting company)**	**Smaller reporting compan Emerging growth compan**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No ý

The aggregate market value of the 1,692,434,068 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2017), was $82,269,220,045. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2018: 1,746,333,892

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2018 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 16, 2018.

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.

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

Incorporated herein by reference is Note 15 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 four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Cardiovascular and Neuromodulation Products.

On October 3, 2017, Abbott completed the acquisition of Alere, Inc., a diagnostic device and service provider, for an aggregate consideration of approximately $4.5 billion in cash.

On February 27, 2017, Abbott completed the sale of Abbott Medical Optics, its vision care business, to Johnson & Johnson for $4.325 billion in cash.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc., a global medical device manufacturer. Based on the closing Abbott share price on January 4, 2017, the aggregate implied value of the consideration paid in connection with the acquisition was approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. Abbott has since sold all of its 110 million Mylan N.V. ordinary shares.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

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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.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon™, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal™ and Dicetel™, for the treatment of irritable bowel syndrome or biliary spasm; Heptral™, Transmetil™, and Samyr™, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac™, for regulation of the physiological rhythm of the colon;

- women's health products, including Duphaston™, for the treatment of many different gynecological disorders; and Femoston™, a hormone replacement therapy for postmenopausal women;

- cardiovascular and metabolic products, including Lipanthyl™ and TriCor™, for the treatment of dyslipidemia; Teveten™ and Teveten Plus™, for the treatment of essential hypertension, and Physiotens™, for the treatment of hypertension; and Synthroid™, for the treatment of hypothyroidism;

- pain and central nervous system products, including Serc™, for the treatment of Ménière's disease and vestibular vertigo; Brufen™, for the treatment of pain, fever, and inflammation, and Sevedol™, for the treatment of severe migraines; and

- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin™, Klacid™, and Klaricid™); and Influvac®, an influenza vaccine.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building a strong brand with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors have increased competitive pressures.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion, including ARCHITECT®, ABBOTT PRISM®, Cell-Dyn®, and the

next-generation Alinity™ family of instruments, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, and therapeutic drug monitoring;

- molecular diagnostics systems, including the m2000™ , an instrument that automates the extraction, purification, and preparation of DNA and RNA from patient samples, and detects and measures infectious agents including HIV, HBV, HCV, HPV, and CT/NG; and the Vysis® FISH product line of genomic-based tests;

- point of care systems, including the i-STAT® and next-generation i-STAT Alinity™ and cartridges for blood analysis;

- rapid diagnostics systems, including benchtop systems and rapid tests in the areas of infectious disease including HIV, malaria, dengue fever and many other tropical diseases; molecular point-of-care testing for influenza A & B, RSV and strep A; cardiometabolic testing including Afinion® and Cholestech™ platforms and tests; a toxicology business for drug and alcohol testing, remote patient monitoring and consumer self-testing; and

- informatics and automation solutions for use in laboratories, including ACCELERATOR *a*3600®, the RALS point of care solution, and AlinIQ™ , a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

- various forms of prepared infant formula and follow-on formula, including Similac®, Similac Pro-Advance™ , Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive™ , Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac™ , Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Similac Total Comfort®, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain™ , Grow™ , Similac Qinti™ , and Eleva™ ;

- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure Complete®, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound®, and Pedialyte®;

- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®; and

- Zone Perfect® bars and the EAS® family of nutritional brands, including Myoplex® and AdvantEdge®.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain™ , Grow™ , Eleva™ , PediaSure®, PediaSure SideKicks®, Pedialyte®, Ensure®, Zone Perfect®, EAS®/

Myoplex®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets where appropriate.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, intellectual property, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product

obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Cardiovascular and Neuromodulation Products

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, as well as neuromodulation devices for the management of chronic pain and movement disorders. These products are manufactured, marketed and sold worldwide. In the United States, these products are generally marketed and sold directly to hospitals, ambulatory surgery centers, 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.

The principal products included in the Cardiovascular and Neuromodulation Products segment are:

- rhythm management products, including Assurity MRI™ and Endurity MRI™ pacemaker systems; Ellipse™ and Fortify Assura™ implantable cardioverter defibrillators and Quadra Assura MP™ implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint™ Pacing technology;

- electrophysiology products, including TactiCath™ ablation catheter and FlexAbility™ irrigated ablation catheters; Ampere™ RF ablation generator; and EnSite Precision™ cardiac mapping system; and Confirm Rx™ implantable cardiac monitors;

- heart failure related products, including the HeartMate™ left ventricular device family and the CardioMEMS™ HF System pulmonary artery sensor, a heart failure monitoring system;

- vascular products, including the XIENCE™ family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE® and Perclose ProGlide® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/ Emboshield NAV6®, carotid stent systems; and the OPTIS™ integrated system with the Dragonfly™ OPTIS™ imaging catheter and PressureWire™ FFR measurement systems;

- structural heart products, including MitraClip®, a percutaneous mitral valve repair system; Trifecta™ Valve with Glide™ Technology, a surgical tissue heart valve; Portico™ transcatheter aortic heart valve, SJM Regent™ mechanical heart valve, and AMPLATZER® occluders; and

- neuromodulation products, including spinal cord stimulators Proclaim™ Elite Recharge-free IPG and Prodigy MRI™ IPG, both with BurstDR™ stimulation, and Proclaim™ DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the St. Jude Medical Infinity™ Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

The Cardiovascular and Neuromodulation Products segment's products are subject to competition in technological innovation, price, convenience of use, 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 or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Other Products

The principal products in Abbott's other businesses include blood glucose and continuous glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand. These products are marketed worldwide and generally

sold directly to wholesalers, government agencies, private health care organizations, health care facilities, mail order pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Some of these products are also marketed and distributed through distributors. Blood and continuous glucose monitoring systems are also marketed and sold to consumers. These products are subject to regulatory changes and competition in technological innovation, price, convenience of use, service, and product performance.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

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

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 countries of interest to Abbott. Abbott owns or has licenses 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 2018 to 2038, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

Research and Development

Abbott spent approximately $2.2 billion in 2017, $1.4 billion in 2016, and $1.4 billion in 2015 on research to discover and develop new products and processes and to improve existing products and processes.

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 2017 were approximately $11 million and $37 million, respectively. Capital and operating expenditures for pollution control in 2018 are estimated to be $11 million and $39 million, respectively.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the

final costs related to those investigations and remediation 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 approximately 99,000 people as of December 31, 2017.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Adminstration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's home monitoring services and related products that provide Abbott and third-party medical devices to consumers in the United States are subject to additional federal, state, and local laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Further, Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations substantially increase the time, difficulty, and costs incurred in obtaining and maintaining approval to market newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and capital investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product,

the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future.

In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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 the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Other payment methodology changes have been proposed and implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act establishes a new payment system for clinical laboratory tests, which became effective on January 1, 2018.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the Affordable Care Act), imposed an excise tax on Abbott and other medical device manufacturers and importers. The excise tax was subsequently suspended from January 1, 2016 through December 31, 2017 as part of the Consolidated Appropriations Act of 2016. In January 2018, the excise tax was suspended for an additional two years.

The Affordable Care Act also includes provisions known as the Physician Payments Sunshine Act, which require manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes, including potential modification or repeal of all or parts of the Affordable Care Act, or implementation of new health care legislation, could result in significant changes to the health care system.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information and financial information), is increasing. For example, the European Union has enacted stricter data protection laws, which will take effect in 2018, that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the U.S. Food and Drug Administration has issued further guidance concerning

cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the marketing, manufacture, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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

As discussed in greater detail in the section captioned, "Narrative Description of Business," Abbott markets products worldwide 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 that 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.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (*www.abbottinvestor.com*).

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the U.S. Food and Drug Administration (FDA) and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and in substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding

manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

Changes in the health care regulatory environment may adversely affect Abbott's business.

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to our products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services and establish certain fees for the medical device industry. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

Abbott incurred and assumed significant indebtedness in connection with the acquisitions of St. Jude Medical and Alere, which could decrease business flexibility and increase consolidated interest expense.

Following the acquisitions of St. Jude Medical and Alere, Abbott's consolidated indebtedness as of December 31, 2017 was approximately $28 billion. This consolidated

indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, increasing Abbott's consolidated interest expense, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on

terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit rating. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

Abbott depends on sophisticated information technology systems and a cyber attack or other breach of these systems could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Any significant attack or other disruption on Abbott's systems or products could have a material adverse effect on Abbott's business.

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other businesses, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A risk of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from its competitors' products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a lot or batch of product, those products may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other lots, batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive,

studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for or injury to patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2017 made up approximately 65 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review — Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2017 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 11 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2017 made up approximately 65 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

- differing local product preferences and product requirements;
- trade protection measures and import or export licensing requirements;
- difficulty in establishing, staffing, and managing operations;

- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including sovereign debt issues;
- restrictions on local currency conversion and/or cash extraction;
- price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;
- inflation, recession, and fluctuations in interest rates;
- diminished protection of intellectual property; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling, source and use laws, and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;
- changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;
- changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;
- changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; widespread outbreaks of infectious diseases, the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;
- changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving

business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;

- changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and

- legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2017, Abbott owned or leased properties totaling approximately 42 million square feet in 81 countries, of which approximately 70% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 100 manufacturing facilities in 32 countries. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Cardiovascular and Neuromodulation Products	25
Diagnostic Products	28
Established Pharmaceutical Products	31
Nutritional Products	14
Non-Reportable	2

Worldwide Total	100

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries including China, Colombia, India, Singapore, Spain, and the United Kingdom.

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, 2018) 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 resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

In March 2017, the U.S. Environmental Protection Agency (EPA) issued a letter to Alere Toxicology Services, Inc.'s Austin, Texas facility identifying potential violations of the Resources Conservation and Recovery Act and associated regulations. In November 2017, Alere Toxicology Services, Inc. reached an agreement with the EPA and agreed to pay a civil penalty of $186,225.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of Abbott are elected annually by the board of directors. All other officers are 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.

Abbott's executive officers, their ages as of February 16, 2018, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any corporate officers or directors.

Miles D. White, 62

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

Elected Corporate Officer — 1993.

Hubert L. Allen, 52

2013 to present — Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer — 2012.

Brian J. Blaser, 53

2012 to present — Executive Vice President, Diagnostics Products.

Elected Corporate Officer — 2008.

John M. Capek, 56

2015 to present — Executive Vice President, Ventures.

2007 to 2015 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2006.

Robert B. Ford, 44

2015 to present — Executive Vice President, Medical Devices.

2014 to 2015 — Senior Vice President, Diabetes Care.

2008 to 2014 — Vice President, Diabetes Care, Commercial Operations.

Elected Corporate Officer — 2008.

Stephen R. Fussell, 60

2013 to present — Executive Vice President, Human Resources.

2005 to 2013 — Senior Vice President, Human Resources.

Elected Corporate Officer — 1999.

Andrew H. Lane, 47

2017 to present — Executive Vice President, Established Pharmaceuticals.

2015 to 2017 — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2015 — Divisional Vice President, Established Pharmaceuticals, Asia Pacific.

2011 to 2014 — Vice President, Asia Pacific, Takeda Pharmaceutical Company Limited (a Japanese pharmaceutical company).

Elected Corporate Officer — 2015.

Daniel Salvadori, 39

2017 to present — Executive Vice President, Nutritional Products.

2014 to 2017 — Senior Vice President, Established Pharmaceuticals, Latin America.

2013 to 2014 — Chief Executive Officer, Latin America, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

2012 to 2013 — Executive President, Complex Therapeutics Division, CFR Pharmaceuticals S.A.

Elected Corporate Officer — 2014.

Brian B. Yoor, 48

2017 to present — Executive Vice President, Finance and Chief Financial Officer.

2015 to 2017 — Senior Vice President, Finance and Chief Financial Officer.

2013 to 2015 — Vice President, Investor Relations.

2010 to 2013 — Divisional Vice President, Controller, Diagnostics.

Elected Corporate Officer — 2013.

Roger M. Bird, 61

2015 to present — Senior Vice President, U.S. Nutrition.

2009 to 2015 — Divisional Vice President and General Manager, China and Hong Kong, Nutritional Products.

Elected Corporate Officer — 2015.

Sharon J. Bracken, 47

2017 to present — Senior Vice President, Rapid Diagnostics.

2013 to 2017 — Vice President, Diagnostics, Abbott Point of Care.

2010 to 2013 — Divisional Vice President, ADD Global Operations.

Elected Corporate Officer — 2013.

Charles R. Brynelsen, 61

2017 to present — Senior Vice President, Abbott Vascular.

2016 to 2017 — Managing Director, CB Business Advisors, Inc. (a medical device consulting firm).

2015 to 2016 — Senior Vice President and President, Medtronic Early Technologies, Medtronic plc (a global medical device company).

2013 to 2015 — President, Early Technologies, Covidien plc (a global healthcare products company).

Elected Corporate Officer — 2017.

Jaime Contreras, 61

2013 to present — Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

2008 to 2013 — Vice President, Diagnostics, Global Commercial Operations.

Elected Corporate Officer — 2003.

Joseph Manning, 49

2017 to present — Senior Vice President, International Nutrition.

2015 to 2017 — Vice President, Nutrition, Asia Pacific.

2014 to 2015 — General Manager, Indonesia, Nutritional Products.

2009 to 2014 — General Manager, Russia, Nutritional Products.

Elected Corporate Officer — 2015.

Michael J. Pederson, 56

2017 to present — Senior Vice President, CRM and AF/EP.

2015 to 2017 — Divisional Vice President and General Manager, Abbott Electrophysiology.

2011 to 2015 — Chief Executive Officer, VytronUS, Inc. (a medical device company focused on developing electrophysiology technologies).

Elected Corporate Officer — 2017.

Sean Shrimpton, 51

2017 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2015 to 2017 — Divisional Vice President, Asia Pacific, Established Pharmaceuticals.

2013 to 2015 — General Manager, Balkans, Takeda Pharmaceuticals (a Japanese pharmaceutical company).

2011 to 2013 — Vice President Business Operations, South Asia Head of Commercial Operations, Philippines, Malaysia, Singapore, Takeda Pharmaceuticals.

Elected Corporate Officer — 2017.

Jared L. Watkin, 50

2015 to present — Senior Vice President, Diabetes Care.

2010 to 2015 — Divisional Vice President, Technical Operations, Diabetes Care.

Elected Corporate Officer — 2015.

Alejandro D. Wellisch, 43

2017 to present — Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

2012 to 2014 — General Manager, Argentina, Bolivia, Paraguay and Uruguay, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

Elected Corporate Officer — 2017.

Robert E. Funck, 56

2013 to present — Vice President, Controller.

2009 to 2013 — Vice President, Chief Ethics and Compliance Officer.

Elected Corporate Officer — 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

	Market Price Per Share			
	2017		2016	
	high	low	high	low
First Quarter	$ 45.84	$ 38.34	$ 44.05	$ 36.00
Second Quarter	49.59	42.31	44.58	36.76
Third Quarter	54.80	47.83	45.79	39.16
Fourth Quarter	57.77	53.20	43.78	37.38

Shareholders

There were 44,581 shareholders of record of Abbott common shares as of December 31, 2017.

Dividends

Abbott declared quarterly dividends of $0.265 per share on common shares in the first, second, and third quarters of 2017. In the fourth quarter of 2017, Abbott declared a quarterly dividend of $0.280 per share on common shares.

Abbott declared quarterly dividends of $0.26 per share on common shares in the first, second, and third quarters of 2016. In the fourth quarter of 2016, Abbott declared a quarterly dividend of $0.265 per share on common shares.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2017.

If you have any questions, please contact your tax advisor.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2017 — October 31, 2017	1,489 (1)	$ 53.610	0	$ 925,131,209 (2)
November 1, 2017 — November 30, 2017	15,876 (1)	$ 54.740	0	$ 925,131,209 (2)
December 1, 2017 — December 31, 2017	12,126 (1)	$ 55.636	0	$ 925,131,209 (2)
Total	29,491 (1)	$ 55.051	0	$ 925,131,209 (2)

(1) These shares include:

(i) the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options — 1,489 in October, 1,568 in November, and 1,146 in December; and

(ii) the shares purchased on the open market for the benefit of participants in the Abbott Laboratories, Limited Employee Stock Purchase Plan — 0 in October, 14,308 in November, and 10,980 in December.

These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On September 11, 2014, Abbott announced that its board of directors approved the purchase of up to $3 billion of its common shares, from time to time.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Net sales (1)	$ 27,390	$ 20,853	$ 20,405	$ 20,247	$ 19,657
Earnings from continuing operations (1)	353	1,063	2,606	1,721	1,988
Net earnings	477	1,400	4,423	2,284	2,576
Basic earnings per common share from continuing operations (1)	0.20	0.71	1.73	1.13	1.27
Basic earnings per common share	0.27	0.94	2.94	1.50	1.64
Diluted earnings per common share from continuing operations (1)	0.20	0.71	1.72	1.12	1.26
Diluted earnings per common share	0.27	0.94	2.92	1.49	1.62
Total assets	76,250	52,666	41,247	41,207	42,937
Long-term debt, including current portion	27,718	20,684	5,874	3,448	3,381
Cash dividends declared per common share	1.075	1.045	0.98	0.90	0.64

(1) Amounts reflect Abbott's developed markets branded generics pharmaceuticals, animal health and former research-based pharmaceuticals business as discontinued operations.

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

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are nutritional products, diagnostic testing products, branded generic pharmaceuticals and cardiovascular and neuromodulation products. Sales in international markets comprise approximately 65 percent of consolidated net sales.

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the $30 billion cardiovascular device market, as well as in neuromodulation which treats chronic pain and movement disorders. Abbott's Cardiovascular and Neuromodulation reportable segment includes the results of its historical Vascular Products segment and the results of the businesses acquired from St. Jude Medical from the date of acquisition.

In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In 2017, Abbott recognized a pre-tax gain of $1.163 billion and an after-tax gain of $728 million related to the sale of AMO. The operating results of AMO were included in Earnings from Continuing Operations up to the date of sale as the business did not qualify for reporting as discontinued operations.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million ordinary shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. In April 2015,

Abbott sold 40.25 million of its Mylan N.V. ordinary shares and in 2017, Abbott sold the remaining 69.75 million ordinary shares. Proceeds from the sale of the 110 million ordinary shares totaled $5.0 billion.

The sales increase over the last three years was driven primarily by the 2017 acquisitions of St. Jude Medical and Alere and sales growth in the established pharmaceuticals and diagnostics businesses. In 2017, the acquisitions of St. Jude Medical and Alere, partially offset by the sale of AMO, contributed 26.5 percentage points of Abbott's total sales growth. Sales in emerging markets, which represent

approximately 40 percent of total company sales, increased 13.9 percent in 2017 and 6.3 percent in 2016, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was impacted by several factors. In 2017, Abbott's operating margin decreased by approximately 900 basis points primarily due to costs associated with the acquisitions, including higher intangible amortization expense, inventory step-up amortization and integration costs, partially offset by operating margin improvement across various businesses. In 2016 and 2015, Abbott expanded its operating margin by approximately 120 basis points per year primarily due to margin improvement in the nutritional and diagnostics businesses.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets, as well as by numerous new product introductions that leveraged Abbott's strong brands. These positive factors were offset by challenging conditions in various markets over the last three years. In 2017, the nutritionals business experienced growth in the U.S. due to above-market performance in Abbott's infant and toddler brands, including PediaSure®, Pedialyte® and Similac®. Increased 2017 sales in China and India were partially offset by challenging market conditions in the infant formula market in various emerging markets. With respect to the profitability of the nutritional products business, manufacturing and distribution process changes, as well as other cost reductions drove margin improvements across the business over the last three years although such improvements were offset by increased commodity costs in 2017. The decrease in operating margins for this business from 25.0 percent of sales in 2015 to 22.9 percent in 2017 was almost entirely due to the negative impact of foreign exchange.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October of 2017, as well as continued market penetration by the Core Laboratory business in the U.S. and China, and growth in other emerging markets. In addition, the Point of Care diagnostics business experienced sales growth led by the continued adoption of Abbott's i-STAT® handheld system. Worldwide diagnostic sales increased 16.7 percent in 2017 and 5.5 percent in 2016, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostics Products segment increased 5.5 percent in 2017. In 2017, Abbott continued the international roll-out of its recently launched Alinity systems for the core laboratory, including "Alinity c" for clinical chemistry, "Alinity i" for immunoassay diagnostics and "Alinity s" for blood and plasma screening. In the fourth quarter of 2017, Abbott received FDA approval in the U.S. for the "Alinity c" and "Alinity i" instruments for clinical chemistry and immunoassay diagnostics. Alinity is an integrated family of next-generation diagnostic systems and solutions which are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results.

Margin improvement continued to be a key focus for the diagnostics business in 2017 although such improvements were partially offset by the negative impact of foreign exchange. Operating margins increased from 25.2 percent of sales in 2015 to 26.1 percent in 2017 as the business continued to execute on efficiency initiatives in the manufacturing and supply chain functions.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets after the sale of its developed markets business to Mylan on February 27, 2015. Excluding the impact of foreign exchange, Established Pharmaceutical sales from continuing operations increased 9.5 percent in 2017 and 10.5 percent in 2016. The sales increase in 2017 was

driven by double-digit growth in China and various countries in Latin America. Operating margins increased from 17.7 percent of sales in 2015 to 19.8 percent in 2017.

Since the beginning of the first quarter of 2017, the results of Abbott's Cardiovascular and Neuromodulation Products segment includes Abbott's historical Vascular Products segment and

St. Jude Medical from the date of acquisition. Excluding the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment increased 207.4 percent in 2017 and 4.5 percent in 2016. The sales increase in 2017 was driven by the acquisition of St. Jude Medical. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment were essentially unchanged in 2017 versus the prior year. In 2017, higher Structural Heart and endovascular sales were offset by lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement. In 2016, sales growth was driven by double-digit growth in Abbott's sales of its MitraClip structural heart device for the treatment of mitral regurgitation, as well as endovascular franchise sales growth. These increases were partially offset by pricing pressures primarily related to drug-eluting stents (DES) and lower market share for Abbott's XIENCE DES franchise in certain geographies. In 2017, operating earnings for this segment increased over 160 percent; the operating margin profile declined from 38.0 percent of sales in 2015 to 30.5 percent in 2017 primarily due to the mix of business resulting from the acquisition of St. Jude Medical and ongoing pricing pressures in the coronary business.

In 2017, Abbott obtained regulatory approval for various products in addition to the approvals described above in the diagnostics business. In its Cardiovascular and Neuromodulation Products segment, Abbott received U.S. FDA approvals for magnetic resonance (MR) conditional labeling across its full suite of pacemaker, implantable cardioverter defibrillator (ICD), and cardiac resynchronization therapy defibrillator (CRT-D) devices. Abbott announced CE Mark and received U.S. FDA clearance for its Confirm Rx Insertable Cardiac Monitor (ICM), the first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias. Abbott received U.S. FDA approval for its HeartMate 3 system, which helps a weak heart pump blood through the body for advanced heart failure patients in need of short-term hemodynamic support (bridge-to-transplant or bridge to myocardial recovery). Abbott obtained CE Mark for its XIENCE Sierra product, which is the next generation of its drug-eluting coronary stent system. In its diabetes business, Abbott received U.S. FDA approval for its FreeStyle Libre system, which is the only continuous glucose monitoring system that does not require any user calibration.

Abbott's short- and long-term debt totaled $27.9 billion and $22.0 billion at December 31, 2017 and 2016, respectively. At December 31, 2017, Abbott's long-term debt rating was BBB by Standard and Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott is committed to reducing its debt levels following the recent acquisitions of St. Jude Medical and Alere. In January 2018, Abbott repaid $3.95 billion of debt and anticipates additional debt repayments throughout 2018. On February 16, 2018, the board of directors authorized the additional redemption of up to $5 billion of currently outstanding long-term notes.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott assumed outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of: $473.8 million of 2.00% Senior Notes due 2018; $483.7 million of 2.80% Senior Notes due 2020; $818.4 million of 3.25% Senior Notes due 2023; $490.7 million of 3.875% Senior Notes due 2025; and $639.1 million of 4.75% Senior Notes due 2043. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed $2.0 billion under a 120-day senior unsecured bridge term loan facility. This

facility was repaid during the first quarter of 2017. In 2017, Abbott also issued 364-day yen-denominated debt, of which $195 million was outstanding at December 31, 2017. Abbott also paid off a $479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to $2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed $2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017, Abbott borrowed $1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The $1.7 billion borrowing was payable on July 10, 2019 and bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. In the fourth quarter of 2017, Abbott paid off $550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In anticipation of the acquisition of St. Jude Medical, in November 2016, Abbott issued $15.1 billion of long-term debt consisting of $2.85 billion at 2.35% maturing in 2019; $2.85 billion at 2.90% maturing in 2021; $1.50 billion at 3.40% maturing in 2023; $3.00 billion at 3.75% maturing in 2026; $1.65 billion at 4.75% maturing in 2036; and $3.25 billion at 4.90% maturing in 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt, which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

Abbott declared dividends of $1.075 per share in 2017 compared to $1.045 per share in 2016, an increase of approximately 3%. Dividends paid were $1.849 billion in 2017 compared to $1.539 billion in 2016. The year-over-year change in dividends reflects the impact of the increase in the dividend rate and the additional shares issued to finance the St. Jude Medical acquisition. In December 2017, Abbott increased the company's quarterly dividend by approximately 6% to $0.280 per share from $0.265 per share, effective with the dividend paid in February 2018.

In 2018, Abbott will focus on integrating Alere and paying down debt, as well as several other key initiatives. The focus of the integration will be to create an organization that expands Abbott's diagnostics business into new products, channels and geographies. In the cardiovascular and neuromodulation business, Abbott will continue to build its product portfolio and focus on obtaining product approvals across numerous countries.

In the nutritional business, Abbott will continue to build its product portfolio with the introduction of new science-based products, expand in high-growth emerging markets and implement additional margin improvement initiatives. In the established pharmaceuticals business, Abbott will continue to focus on obtaining additional product approvals across numerous countries and increasing its penetration of emerging markets. In Abbott's other segments, Abbott will focus on developing differentiated technologies in higher growth markets.

Critical Accounting Policies

Sales Rebates — In 2017, approximately 43 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2017 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),

wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will

be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2017, 2016 and 2015 amounted to approximately $2.8 billion, $2.5 billion and $2.2 billion, respectively, or 20.5 percent, 22.9 percent and 21.6 percent of gross sales, respectively, based on gross sales of approximately $13.9 billion, $10.7 billion and $10.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $139 million in 2017. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $199 million, $160 million and $124 million for cash discounts in 2017, 2016 and 2015, respectively, and $204 million, $242 million and $238 million for returns in 2017, 2016 and 2015, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management has access to several large customers' inventory management data, and for other customers, utilizes data from a third party that measures time on the retail shelf. These sources allow management to make reliable estimates of inventory in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably determinable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market research. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2017, Abbott had WIC business in 29 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2013 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2012. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the

obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2017, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of $3.5 billion and $248 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 13 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2017, goodwill amounted to $24.0 billion and intangibles amounted to $21.5 billion. Amortization expense in continuing operations for intangible assets amounted to $2.0 billion in 2017, $550 million in 2016 and $601 million in 2015. There was no significant reduction of goodwill relating to impairments in 2017, 2016 and 2015.

Litigation — Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $115 million to $160 million for its legal proceedings and environmental exposures. Accruals of approximately $135 million have been recorded at December 31, 2017 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

		Components of % Change			
	Total % Change	**2017 Business Acquisitions/ Divestitures**	**Price**	**Volume**	**Exchange**
Total Net Sales					
2017 vs. 2016	31.3	26.5	(0.6)	5.1	0.3
2016 vs. 2015	2.2	—	(1.1)	5.9	(2.6)
Total U.S.					
2017 vs. 2016	49.1	46.9	(0.9)	3.1	—
2016 vs. 2015	3.4	—	(2.9)	6.3	—
Total International					
2017 vs. 2016	23.3	17.3	(0.4)	6.0	0.4
2016 vs. 2015	1.6	—	(0.3)	5.7	(3.8)
Established Pharmaceutical Products Segment					
2017 vs. 2016	11.1	—	2.3	7.2	1.6
2016 vs. 2015	3.7	—	3.0	7.5	(6.8)

Nutritional Products Segment					
2017 vs. 2016	0.4	—	0.3	0.3	(0.2)
2016 vs. 2015	(1.1)	—	(0.4)	1.6	(2.3)
Diagnostic Products Segment					
2017 vs. 2016	16.7	11.2	(1.1)	6.6	—
2016 vs. 2015	3.6	—	(1.2)	6.7	(1.9)
Cardiovascular and Neuromodulation Products Segment					
2017 vs. 2016	207.7	207.2	(4.3)	4.5	0.3
2016 vs. 2015	3.7	—	(5.3)	9.8	(0.8)

The increase in Total Net Sales in 2017 reflects the acquisitions of St. Jude Medical and Alere, as well as organic growth in the established pharmaceuticals and diagnostics businesses. The increase in 2016 reflects unit growth, partially offset by the impact of unfavorable foreign exchange. The price declines related to the Cardiovascular and Neuromodulation Products segment in 2017 and 2016 primarily reflect pricing pressure on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2017	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —				
Key Emerging Markets	$ 3,307	14 %	2 %	12 %
Other	980	3	1	2
Nutritionals —				
International Pediatric Nutritionals	2,112	(4)	—	(4)
U.S. Pediatric Nutritionals	1,777	6	—	6
International Adult Nutritionals	1,782	3	(1)	4
U.S. Adult Nutritionals	1,254	(3)	—	(3)
Diagnostics —				
Core Laboratory	4,063	6	—	6
Molecular	463	2	1	1
Point of Care	550	7	—	7
Rapid Diagnostics	540	n/m	n/m	n/m

Cardiovascular and Neuromodulation —				
Rhythm Management	2,103	n/m	n/m	n/m
Electrophysiology	1,382	n/m	n/m	n/m
Heart Failure	643	n/m	n/m	n/m
Vascular	2,892	14	—	14
Structural Heart	1,083	208	1	207
Neuromodulation	808	n/m	n/m	n/m

n/m = Percent change is not meaningful.

(dollars in millions)	**2016**	**Total Change**	**Impact of Exchange**	**Total Change Excl. Exchange**
Total Established Pharmaceuticals —				
Key Emerging Markets	$ 2,912	5 %	(8)%	13 %
Other	947	1	(1)	2
Nutritionals —				
International Pediatric Nutritionals	2,206	(7)	(4)	(3)
U.S. Pediatric Nutritionals	1,677	5	—	5
	1,724	—	(4)	4

International Adult Nutritionals				
U.S. Adult Nutritionals	1,292	1	—	1
Diagnostics —				
Core Laboratory	3,844	4	(2)	6
Molecular	456	(2)	(1)	(1)
Point of Care	513	8	—	8
Rapid Diagnostics	—	—	—	—
Cardiovascular and Neuromodulation —				
Rhythm Management	—	—	—	—
Electrophysiology	12	(17)	—	(17)
Heart Failure	—	—	—	—
Vascular	2,532	1	—	1
Structural Heart	352	35	(1)	36
Neuromodulation	—	—	—	—

Note: In order to compute results excluding the impact of exchange rates, current year U.S. dollar sales are multiplied or divided, as appropriate, by the current year average foreign exchange rates and then those amounts are multiplied or divided, as appropriate, by the prior year average foreign exchange rates.

Total Established Pharmaceutical Products sales increased 9.5 percent in 2017 and 10.5 percent in 2016, excluding the impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 11.9 percent in 2017 and 13.3 percent in 2016. Excluding the impact of foreign exchange, 2017 sales in several geographies including China and various countries in Latin America experienced double-digit growth. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 2.2 percent in 2017 and increased 2.0 percent in 2016. The 2017 sales growth for Established Pharmaceuticals' other emerging markets includes the unfavorable impact of Venezuelan operations. Excluding Venezuela and the effect of foreign exchange, sales in other emerging markets increased 7.5 percent.

Total Nutritional Products sales increased 0.6 percent in 2017 and 1.2 percent in 2016, excluding the unfavorable impact of foreign exchange. In Abbott's International Pediatric Nutritional business, the 2017 decrease in sales was driven by challenging market conditions in the infant formula market in various emerging markets, partially offset by growth in China and India. The 2017 growth in China reflects a partial recovery from the 2016 sales decline in China. The 2016 decrease in sales was driven by challenging market conditions in China, including the impact of new food safety regulations, which contributed to an oversupply of product in the market. The 2016 sales decrease in China was partially offset by strong performance in several markets across Latin America and Southeast Asia.

The increases in U.S. Pediatric Nutritional 2017 and 2016 sales primarily reflect continued above-market performance in Abbott's infant and toddler brands, including PediaSure®, Pedialyte® and Similac®.

Excluding the unfavorable impact of foreign exchange, the 2017 and 2016 increases in International Adult Nutritional sales are due primarily to growth in Ensure®, Abbott's market-leading complete and balanced nutrition brand, as well as volume growth in emerging markets and continued expansion of the adult nutrition category internationally. U.S. Adult Nutritional revenues decreased in 2017 due to competitive and market dynamics, while sales increased in 2016 driven by the growth of Ensure® sales.

Total Diagnostic Products sales increased 16.7 percent in 2017 and 5.5 percent in 2016, excluding the impact of foreign exchange. The sales increase in 2017 included the acquisition of Alere, which was completed on October 3, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Diagnostics Products segment increased 5.5 percent primarily driven by share gains in the Core Laboratory markets globally, as well as strong performance in Point of Care led by the continued adoption of Abbott's i-STAT® handheld system. The 2016 sales increase was primarily driven by share gains in the Core Laboratory and Point of Care markets in the U.S. and internationally.

Excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 207.4 percent in 2017 and 4.5 percent in 2016. The sales increase in 2017 was primarily driven by the acquisition of St. Jude Medical which was completed on January 4, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the vascular business were essentially flat in 2017 versus the prior year as lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement were offset by higher Structural Heart and endovascular sales. In 2016, double-digit growth in sales of Abbott's *MitraClip* structural heart device for the treatment of mitral regurgitation was partially offset by lower sales of DES products. The increase in the Endovascular business was driven by higher *Supera* and vessel closure sales. Cardiovascular and Neuromodulation Products sales in 2016 were also favorably impacted by the resolution of

previously disputed third party royalty revenue related to the prior year. Excluding this royalty impact, worldwide sales of Cardiovascular and Neuromodulation Products would have increased 3.4 percent in 2016.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2017, 2016 and 2015.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to materially affect Abbott.

In April 2017, Abbott received a warning letter from the U.S. Food and Drug Administration (FDA) related to its manufacturing facility in Sylmar, CA which was acquired by Abbott on January 4, 2017 as part of the acquisition of St. Jude Medical. This facility manufactures implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and monitors. The warning letter relates to the FDA's observations from an inspection of this facility. Abbott has prepared a comprehensive plan of corrective actions which has been provided to the FDA. Execution of the plan is progressing.

Operating Earnings

Gross profit margins were 47.7 percent of net sales in 2017, 54.1 percent in 2016 and 54.2 percent in 2015. In 2017, the decrease primarily reflects higher intangible amortization expense and inventory step-up amortization related to the St. Jude Medical and Alere acquisitions, partially offset by margin improvements in various businesses. In 2016, the unfavorable effect of foreign exchange offset continued underlying margin expansion, primarily in the Diagnostics and Nutritional segments.

Research and development expense was $2.235 billion in 2017, $1.422 billion in 2016, and $1.405 billion in 2015 and represented a 57.2 percent increase in 2017, and a 1.2 percent increase in 2016. The 2017 increase in research and development expenses was primarily due to the acquisition of the St. Jude Medical business. The 2016 increase in research and development expenses was primarily due to higher spending on various projects and the impairment of an in-process research and development asset related to a non-reportable segment, partially offset by lower restructuring costs in 2016. In 2017, research and development expenditures totaled $526 million for the Diagnostics Products segment, $967 million for the Cardiovascular and Neuromodulation Products segment, $195 million for the Nutritional Products segment, and $164 million for the Established Pharmaceutical Products segment.

Selling, general and administrative expenses increased 36.6 percent in 2017 and decreased 1.7 percent in 2016 versus the respective prior year. The 2017 increase was primarily due to the acquisition of the St. Jude Medical business, as well as the incremental expenses to integrate St. Jude Medical with Abbott's existing vascular business, partially offset by the impact of cost improvement initiatives across various functions and businesses. The 2016 decrease reflects the favorable impact of foreign exchange, continued efforts to reduce back office costs, and lower restructuring charges compared to the prior year.

Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The

combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of $39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately $81 per St. Jude Medical common share and total purchase consideration of $23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)
Net debt	(5.3)
Total final allocation of fair value	$ 23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $1.1 billion, inventory of approximately $1.7 billion, other current assets of $176 million, property and equipment of approximately $1.5 billion, and other long-term assets of approximately $455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $1.1 billion and other non-current liabilities of approximately $870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 10 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

The preliminary allocation of the fair value of the Alere acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)	
Acquired intangible assets, non-deductible	$ 3.5
Goodwill, non-deductible	4.1
Acquired net tangible assets	0.9
Deferred income taxes recorded at acquisition	(0.7)
Net debt	(2.6)
Preferred stock	(0.7)
Total preliminary allocation of fair value	$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $430 million, inventory of approximately $425 million, other current assets of $206 million, property and equipment of approximately $540 million, and other long-term assets of $112 million. The

acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $625 million and other non-current liabilities of approximately $160 million.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately $200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include $6.5 billion of sales and a pre-tax loss of approximately $1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately $1.5 billion of intangible amortization and $907 million of inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately $485 million in 2016. This includes amortization of approximately $940 million of inventory step-up and $1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately $750 million, which includes $225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately $907 million which was recorded in 2017 but included in the 2016 unaudited pro forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately $225 million in cash plus additional payments up to $150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the

acquisition resulted in non-deductible acquired in-process research and development of approximately $220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately $142 million, deferred tax assets and other net assets of approximately $18 million, deferred tax liabilities of approximately $85 million, and contingent consideration of approximately $70 million. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products segment. If the acquisition of Tendyne had taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

Restructurings

In 2017, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the cardiovascular and neuromodulation segment and Alere into the diagnostics segment, in order to leverage economies of scale and reduce costs. In 2017, charges of approximately $187 million, including one-time employee termination benefits were recorded, of which approximately $5 million is recorded in Cost of products sold and approximately $182 million in Selling, general and administrative expense.

From 2014 to 2017, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee-related severance and other charges of approximately $120 million in 2017, $33 million in 2016 and $95 million in 2015. Approximately $7 million in 2017, $9 million in 2016 and $18 million in 2015 are recorded in Cost of products sold, approximately $77 million in 2017, $5 million in 2016 and $34 million in 2015 are recorded in Research and development and approximately $36 million in 2017, $19 million in 2016 and $43 million in 2015 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017, $2 million in 2016 and $45 million in 2015 were recorded primarily for accelerated depreciation.

Interest Expense and Interest (Income)

In 2017, interest expense increased primarily due to the $15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017. In 2016, interest expense increased primarily due to the amortization of bridge financing fees related to the financing of the St. Jude Medical and Alere acquisitions. Interest expense in 2016 also increased due to the $15.1 billion of debt issued in November 2016. In 2015, interest expense increased due to the issuance of $2.5 billion of long-term debt during the year.

Other (Income) Expense, net

Other (income) expense, net, for 2017 includes a pre-tax gain of $1.163 billion on the sale of AMO to Johnson & Johnson. 2016 includes $947 million of expense to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary. 2015 includes a $207 million pretax gain on the sale of a portion of the Mylan N.V. ordinary shares received through the sale of the developed markets branded generics pharmaceuticals business and income resulting from a decrease in the fair value of contingent consideration related to a business acquisition.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 84.2 percent in 2017, 24.8 percent in 2016 and 18.1 percent in 2015.

The Tax Cuts and Jobs Act ("TCJA") was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time

transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which is included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate is provisional and includes a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities and a net benefit of approximately $10 million related to certain other impacts of the TCJA.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. Abbott has not yet completed its calculation of the total post-1986 E&P for its foreign subsidiaries. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. This amount may change as Abbott finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash and other specified assets. Abbott plans to elect to pay the transition tax over eight years as allowed by the TCJA.

Given the significant complexity of the TCJA, Abbott will continue to evaluate and analyze the impact of this legislation. The $1.46 billion estimate is provisional and is based on Abbott's initial analysis of the TCJA and may be materially adjusted in future periods due to among other things, additional analysis performed by Abbott and additional guidance that may be issued by the U.S. Department of Treasury, the Securities and Exchange Commission or the Financial Accounting Standards Board.

In 2017, taxes on earnings from continuing operations also include $435 million of tax expense related to the gain on the sale of the AMO business.

In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately $225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO. In 2015, taxes on earnings from continuing operations include $71 million of tax expense related to gain on the disposal of shares of Mylan N.V. stock. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 14 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Earnings from discontinued operations, net of tax, in 2017 and 2016 reflect the recognition of $109 million and $325 million, respectively, of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. 2015 tax expense related to discontinued operations includes $667 million of tax expense on certain current-year income earned outside of the U.S. that were not designated as permanently reinvested overseas.

Discontinued Operations

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. At the date of the closing, the 110 million Mylan N.V. ordinary shares

that Abbott received were valued at $5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately $1.6 billion. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the close of this transaction, Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan provided various back office support services to each other on an interim transitional basis for up to 2 years. Certain services were extended for an additional five to ten months. Charges by Abbott under this transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support does not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. In the first quarter of 2016, Abbott received an additional $25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of $16 million.

As a result of the disposition of the above businesses, the prior years' operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business. In 2017, 2016 and 2015, discontinued operations include a favorable adjustment to tax expense of $109 million, $318 million and $3 million, respectively, as a result of the resolution of various tax positions pertaining to AbbVie's operations.

The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses, as well as the income tax benefit related to the businesses transferred to AbbVie, which are being reported as discontinued operations are as follows:

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	$ —	$ —	$ 256
AbbVie	—	—	—
Total	$ —	$ —	$ 256
Earnings (Loss) Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	$ 15	$ (4)	$ 13
AbbVie	—	—	—
Total	$ 15	$ (4)	$ 13
Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	$ 15	$ 3	$ 62
AbbVie	109	318	3
Total	$ 124	$ 321	$ 65

Assets and Liabilities Held for Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, 2016 and 2015, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were $(18) million, $30 million and $64 million, respectively. Assets and liabilities of AMO were classified as held for disposition in Abbott's Consolidated Balance Sheet as of December 31, 2016.

As discussed in the Business Acquisitions section, in conjunction with the acquisition of Alere, Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel. The legal transfer of certain assets and liabilities related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets and liabilities presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2017, primarily relate to the businesses sold to Quidel.

The following is a summary of the assets and liabilities held for disposition as of December 31, 2017 and 2016:

(in millions)	December 31, 2017	December 31, 2016
Trade receivables, net	$ 12	$ 222
Total inventories	8	240
Prepaid expenses and other current assets	—	51
Current assets held for disposition	20	513
Net property and equipment	56	247
Intangible assets, net of amortization	18	529
Goodwill	102	1,966
Deferred income taxes and other assets	—	11
Non-current assets held for disposition	176	2,753
Total assets held for disposition	$ 196	$ 3,266
Trade accounts payable	$ —	$ 71
Salaries, wages, commissions and other accrued liabilities	—	174
Current liabilities held for disposition	—	245

Post-employment obligations, deferred income taxes and other long-term liabilities	—	59
Total liabilities held for disposition	$ —	$ 304

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

Research and Development Process

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

- Drug product development.
- Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).
- Phase II studies to test the efficacy of benefits in a small group of patients.
- Phase III studies to broaden the testing to a wider population that reflects the actual medical use.
- Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

- Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.
- Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.
- Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Pre-Marketing Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the EU, diagnostic products are also categorized into different categories and the regulatory process, which is governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category. Certain product categories require review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to show compliance with the Directive. Other products only require a self-certification process.

In the Cardiovascular and Neuromodulation segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation, selection and qualification of a product design, completion of applicable clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., cardiovascular and neuromodulation products are classified as Class I, II, or III. Most of Abbott's cardiovascular and neuromodulation products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, cardiovascular and neuromodulation products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some cardiovascular and neuromodulation products, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) and the In Vitro Diagnostic Regulation (IVDR) which replace the existing directives in the EU for medical devices and in vitro diagnostic products. The MDR and IVDR will apply after a three-year and five-year transition

period, respectively, and will impose additional regulatory requirements on manufacturers of such products.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

Areas of Focus

In 2018 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. More than 400 development projects are active for one or several emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon, Duphaston, Duphalac and Influvac. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Cardiovascular and Neuromodulation — Abbott's research and development programs focus on:

- Cardiac Rhythm Management — Development of next-generation rhythm management technologies, including enhanced patient engagement and expanded magnetic resonance (MR)-compatibility.
- Heart Failure — Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.
- Electrophysiology — Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.
- Vascular — Development of next-generation technologies for use in coronary and peripheral vascular procedures.
-

Structural Heart — Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.

- Neuromodulation — Development of next-generation technologies with unique wave forms, enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.

Diabetes Care — Develop enhancements and additional indications for the FreeStyle Libre continuous glucose monitoring system to help patients improve their ability to manage diabetes.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays in various areas including infectious disease, cardiac care, metabolics, oncology, as well as informatics and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) products and a next generation instrument system are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for cardiometabolic disease, infectious disease and toxicology.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric, adult and performance nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2017 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of pharmaceutical, medical device and diagnostic products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2018. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

At December 31, 2017, goodwill recorded as a result of business combinations totaled $24.0 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

Financial Condition

Cash Flow

Net cash from operating activities amounted to $5.6 billion, $3.2 billion and $3.0 billion in 2017, 2016 and 2015, respectively. The increase in Net cash from operating activities in 2017 was primarily due to the favorable impact of improved working capital management, the acquisition of the St. Jude Medical businesses, and higher segment operating earnings. The increase in Net cash from operating activities in 2016 reflects additional focus on the management of working capital. The income tax component of operating cash flow in 2017 includes the 2017 non-cash impact of $1.46 billion of net tax expense related to

the estimated impact of U.S. tax reform. The income tax component of operating cash flow in 2016 and 2015 includes $550 million and $70 million, respectively, of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years; 2015 reflects the non-cash impact of approximately $1.1 billion of tax expense associated with the gain on sale of businesses.

The foreign currency loss related to Venezuela reduced Abbott's cash by approximately $410 million in 2016 and is included in the Effect of exchange rate changes on cash and cash equivalents line within the Consolidated Statement of Cash Flows. Future fluctuations in the strength of the U.S. dollar against foreign currencies are not expected to materially impact Abbott's liquidity.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2017, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $645 million in 2017, $582 million in 2016 and $579 million in 2015 to defined benefit pension plans. Abbott expects pension funding of approximately $114 million in 2018 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2017, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott expects to maintain an investment grade rating. Abbott is committed to reducing its debt levels following the recent acquisitions of St. Jude Medical and Alere. On February 16, 2018, the board of directors authorized the redemption of up to $5 billion of currently outstanding long-term notes in addition to the $3.95 billion repaid in January 2018 discussed below.

Abbott has readily available financial resources, including lines of credit of $5.0 billion which expire in 2019. These lines of credit are part of a 2014 revolving credit agreement that provides Abbott with the ability to borrow up to $5 billion on an unsecured basis. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. On October 3, 2017, in connection with the Alere acquisition, Abbott borrowed $1.7 billion under these lines of credit. These borrowings were due to be repaid in July 2019 and bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. In the fourth quarter of 2017, Abbott paid off $550 million of these borrowings. On January 5, 2018, Abbott paid off the remaining balance under these lines of credit ahead of the 2019 due date.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to $2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed $2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018, ahead of its 2022 due date.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt. In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which $195 million was outstanding at December 31, 2017.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott assumed outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of: $473.8 million of 2.00% Senior Notes due 2018; $483.7 million of 2.80% Senior Notes due 2020;

$818.4 million of 3.25% Senior Notes due 2023; $490.7 million of 3.875% Senior Notes due 2025; and $639.1 million of 4.75% Senior Notes due 2043. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

In November 2016, Abbott issued $15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued $2.85 billion of 2.35% Senior Notes due November 22, 2019; $2.85 billion of 2.90% Senior Notes due November 30, 2021; $1.50 billion of 3.40% Senior Notes due November 30, 2023; $3.00 billion of 3.75% Senior Notes due November 30, 2026; $1.65 billion of 4.75% Senior Notes due November 30, 2036; and $3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt; the swaps have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In April 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed $17.2 billion, comprised of $15.2 billion for a 364-day bridge loan and $2.0 billion for a 120-day bridge loan to provide financing for the acquisition of St. Jude Medical. The $15.2 billion component of the commitment terminated in November 2016 when Abbott issued the $15.1 billion of long-term debt. In December 2016, Abbott formalized the $2.0 billion component and entered into a 120-day bridge term loan facility that provided Abbott the ability to borrow up to $2.0 billion on an unsecured basis to partially fund the St. Jude Medical acquisition. On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed $2.0 billion under the 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed $9 billion in conjunction with its pending acquisition of Alere. This commitment, which was automatically extended for up to 90 days on January 29, 2017, expired on April 30, 2017 and was not renewed since Abbott did not need this bridge facility to finance the Alere acquisition. The fees associated with the bridge facilities were recognized in interest expense.

In March 2015, Abbott issued $2.5 billion of long-term debt consisting of $750 million of 2.00% Senior Notes due March 15, 2020; $750 million of 2.55% Senior Notes due March 15, 2022; and $1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. In March 2015, Abbott also entered into interest rate swap contracts totaling $2.5 billion. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

In September 2014, the board of directors authorized the repurchase of up to $3.0 billion of Abbott's common shares from time to time. The 2014 authorization was in addition to the $512 million unused portion of a previous program announced in June 2013. In 2016, Abbott repurchased 10.4 million shares at a cost of $408 million under the program authorized in 2014. In 2015, Abbott repurchased 11.3 million shares at a cost of $512 million under the unused portion of the 2013 authorization and 36.2 million shares at a cost of $1.7 billion under the program authorized in 2014 for a total of 47.5 million shares at a cost of $2.2 billion.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to $3 billion. No shares have been issued under this authorization.

Abbott declared dividends of $1.075 per share in 2017 compared to $1.045 per share in 2016, an increase of approximately 3%. Dividends paid were $1.849 billion in 2017 compared to $1.539 billion in 2016. The year-over-year change in dividends reflects the impact of the increase in the dividend rate and the additional shares issued to finance the St. Jude Medical acquisition.

Working Capital

Working capital was $11.2 billion at December 31, 2017 and $20.1 billion at December 31, 2016. The decrease in working capital in 2017 was due to a $9.2 billion decrease in cash and cash equivalents. Approximately $13.6 billion of the $18.6 billion in cash and cash equivalents at December 31, 2016 was used to fund the cash portion of the acquisition of St. Jude Medical on January 4, 2017.

Abbott monitors the credit worthiness of customers and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring economic conditions and budgetary and other fiscal developments, Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables.

Venezuela Operations

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of $480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2017, Abbott's investment in its Venezuelan operations was not significant. As a result, any additional future foreign currency losses related to Venezuela would not be material.

Capital Expenditures

Capital expenditures of $1.1 billion in 2017, 2016 and 2015 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers.

Contractual Obligations

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2017.

	Payments Due By Period				
	Total	**2018**	**2019-2020**	**2021-2022**	**2023 and Thereafter**
	(in millions)				
Long-term debt, including current maturities (a)	$ 27,970	$ 508	$ 6,802	$ 6,404	$ 14,256
Interest on debt obligations (a)	12,107	1,013	1,773	1,488	7,833
Operating lease obligations	1,141	223	317	196	405
Capitalized auto lease obligations	37	12	25	—	—
Purchase commitments (b)	2,242	2,081	124	29	8
Other long-term liabilities (c)	3,997	—	1,439	973	1,585
Total (d)	$ 47,494	$ 3,837	$ 10,480	$ 9,090	$ 24,087

(a) Amounts reported represent contractual obligations as of December 31, 2017. On January 5, 2018, Abbott repaid long term debt of $1.15 billion due July 10, 2019 and $2.80 billion due November 3, 2022, which reduces future interest obligations on this debt by approximately $475 million over the term of the debt.

(b) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

(c) Other long-term liabilities include the estimated payments for the transition tax under the TCJA, net of applicable credits.

(d)

Net unrecognized tax benefits totaling approximately $835 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 14 — Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 13 — Post-employment Benefits.

Contingent Obligations

Abbott has periodically entered into agreements with other companies in the ordinary course of business, such as assignment of product rights, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Legislative Issues

Abbott's primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors.

Recently Issued Accounting Standards

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which makes changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Abbott is currently evaluating the effect that ASU 2017-12 will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* which changes the financial statement presentation requirements for pension and other postretirement benefit expense. While service cost will continue to be reported in the same financial statement line items as other current employee compensation costs, the ASU requires all other components of pension and other postretirement benefit expense to be presented separately from service cost, and outside any subtotal of income from operations. The standard becomes effective for Abbott beginning in the first quarter of 2018. When the change in the presentation of the components of pension cost is applied retrospectively to Abbott's 2017 operating results, approximately $160 million of net pension-related income will be moved from the operating lines of the Consolidated Statement of Earnings to non-operating income.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. The standard becomes effective for Abbott beginning in the first quarter of 2018. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for most leases on the balance sheet. The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Adoption requires application of the new guidance for all periods presented. Abbott is currently evaluating the impact the new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The standard becomes effective for Abbott beginning in the first quarter of 2018. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. The standard becomes effective for Abbott in the first quarter of 2018. Abbott's revenues are primarily comprised of product sales. Abbott completed a thorough evaluation of the new standard including a detailed review of Abbott's revenue streams and contracts. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements. Abbott will use the modified retrospective method to adopt this standard.

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 Item 1A, Risk Factors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

The fair value of the available-for-sale equity securities held by Abbott was approximately $11 million and $2.7 billion as of December 31, 2017 and 2016, respectively. The year-over-year decrease is primarily due to sale of the remaining ordinary shares of Mylan N.V. that Abbott received in the sale of its developed markets branded generics pharmaceuticals business. As of December 31, 2017, Abbott no longer held an ownership interest in Mylan N.V. All available-for-sale equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2017 by approximately $2 million. Abbott monitors these investments for other than temporary declines in fair value, and charges impairment losses to income when an other than temporary decline in fair value occurs. Abbott also holds $363 million of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan. These investments are classified as trading securities.

Non-Publicly Traded Equity Securities

Abbott holds equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately $263 million and $151 million as of December 31, 2017 and 2016, respectively. No individual investment is recorded at a value in excess of $67 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated fair value occurs.

Interest Rate Sensitive Financial Instruments

At December 31, 2017 and 2016, Abbott had interest rate hedge contracts totaling $4.0 billion and $5.5 billion, respectively, to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. 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. The fair value of long-term debt at December 31, 2017 and 2016 amounted to $29.0 billion and $21.1 billion, respectively (average interest rates of 3.6% and 3.8% as of December 31, 2017 and 2016, respectively) with maturities through 2046. At December 31, 2017 and 2016, the fair value of current and long-term investment securities amounted to approximately $1.1 billion and $3.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

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 foreign currency 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 products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2017 and 2016, Abbott held $3.3 billion and $2.6 billion, respectively, of such contracts. Contracts held at December 31, 2017 will mature in 2018 or 2019 depending upon the contract. Contracts held at December 31, 2016 matured in 2017 or will mature in 2018 depending upon the contract. At December 31, 2016, $107 million of the notional amount related to AMO, a business that was divested in the first quarter of 2017.

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, 2017 and 2016, Abbott held $20.1 billion and $14.9 billion, respectively, of such contracts, which generally mature in the next twelve months. At December 31, 2016, $1.2 billion of the contracts related to AMO, a business that was divested in the first quarter of 2017.

In March 2017, Abbott repaid its $479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016 and 2015, the value of this short-term debt was $454 million and $439 million, respectively, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2017 and 2016:

	2017			2016		
	Contract Amount	**Weighted Average Exchange Rate**	**Fair and Carrying Value Receivable/ (Payable)**	**Contract Amount**	**Weighted Average Exchange Rate**	**Fair and Carrying Value Receivable/ (Payable)**
	(dollars in millions)					
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	$ 16,877	1.1861	$ (24)	$ 11,110	1.0570	$ 28
British Pound	609	1.3300	(5)	514	1.2817	15
Japanese Yen	1,109	110.5370	15	1,024	110.6955	44
Canadian Dollar	597	1.2799	(4)	639	1.3378	3

All other currencies	4,245	N/A	(49)	4,166	N/A	104
Total	$ 23,437		$ (67)	$ 17,453		$ 194

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2017	**2016**	**2015**
Net Sales	$ 27,390	$ 20,853	$ 20,405
Cost of products sold, excluding amortization of intangible assets	12,337	9,024	8,747
Amortization of intangible assets	1,975	550	601
Research and development	2,235	1,422	1,405
Selling, general and administrative	9,117	6,672	6,785
Total Operating Cost and Expenses	25,664	17,668	17,538
Operating Earnings	1,726	3,185	2,867
Interest expense	904	431	163
Interest income	(124)	(99)	(105)
Net foreign exchange (gain) loss	(34)	495	(93)
Other (income) expense, net	(1,251)	945	(281)
Earnings from Continuing Operations Before Taxes	2,231	1,413	3,183
	1,878	350	577

Taxes on Earnings from Continuing Operations			
Earnings from Continuing Operations	353	1,063	2,606
Earnings from Discontinued Operations, net of taxes	124	321	65
Gain on sale of Discontinued Operations, net of taxes	—	16	1,752
Net Earnings from Discontinued Operations, net of taxes	124	337	1,817
Net Earnings	$ 477	$ 1,400	$ 4,423
Basic Earnings Per Common Share —			
Continuing Operations	$ 0.20	$ 0.71	$ 1.73
Discontinued Operations	0.07	0.23	1.21
Net Earnings	$ 0.27	$ 0.94	$ 2.94
Diluted Earnings Per Common Share —			
Continuing Operations	$ 0.20	$ 0.71	$ 1.72
Discontinued Operations	0.07	0.23	1.20
Net Earnings	$ 0.27	$ 0.94	$ 2.92
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,740	1,477	1,496
Dilutive Common Stock Options	9	6	10
	1,749	1,483	1,506

Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options			
Outstanding Common Stock Options Having No Dilutive Effect	—	5	1

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2017	**2016**	**2015**
Net Earnings	$ 477	$ 1,400	$ 4,423
Foreign currency translation gain (loss) adjustments	1,365	(130)	(2,013)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $(61) in 2017, $(125) in 2016 and $101 in 2015	(243)	(326)	252
Unrealized gains (losses) on marketable equity securities, net of taxes of $(76) in 2017, $(28) in 2016 and $104 in 2015	64	(134)	64
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of $(43) in 2017, $(4) in 2016 and $(9) in 2015	(134)	(15)	(35)
Other Comprehensive Income (Loss)	1,052	(605)	(1,732)
Comprehensive Income	$ 1,529	$ 795	$ 2,691
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			

Cumulative foreign currency translation (loss) adjustments	$ (3,452)	$ (4,959)	$ (4,829)
Net actuarial (losses) and prior service (cost) and credits	(2,521)	(2,284)	(1,958)
Cumulative unrealized (losses) gains on marketable equity securities	(5)	(69)	65
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(84)	49	64
Accumulated other comprehensive income (loss)	$ (6,062)	$ (7,263)	$ (6,658)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

	Year Ended December 31		
	2017	**2016**	**2015**
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 477	$ 1,400	$ 4,423
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,046	803	871
Amortization of intangible assets	1,975	550	601
Share-based compensation	406	310	292
Impact of currency devaluation	—	480	—
Amortization of inventory step-up	907	—	—
Investing and financing (gains) losses, net	47	86	(18)
Amortization of bridge financing fees	5	165	—
Gains on sale of businesses	(1,163)	(25)	(2,840)
Mylan N.V. equity investment adjustment	—	947	—

Gain on sale of Mylan N.V. shares	(45)	—	(207)
Trade receivables	(207)	(177)	(171)
Inventories	249	(98)	(257)
Prepaid expenses and other assets	109	113	57
Trade accounts payable and other liabilities	615	(652)	(742)
Income taxes	1,149	(699)	957
Net Cash From Operating Activities	5,570	3,203	2,966
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,135)	(1,121)	(1,110)
Acquisitions of businesses and technologies, net of cash acquired	(17,183)	(80)	(235)
Proceeds from business dispositions	6,042	25	230
Proceeds from the sale of Mylan N.V. shares	2,704	—	2,290
Purchases of investment securities	(210)	(2,823)	(4,933)
Proceeds from sales of investment securities	129	3,709	4,112
Other	35	42	52
Net Cash From (Used in) Investing Activities	(9,618)	(248)	406

Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt and other	(1,034)	(1,767)	(1,281)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	6,742	14,934	2,485
Repayments of long-term debt and debt with maturities over 3 months	(8,650)	(12)	(57)
Payment of bridge financing fees	—	(170)	—
Purchase of Alere preferred stock	(710)	—	—
Acquisition and contingent consideration payments related to business acquisitions	(13)	(25)	(17)
Purchases of common shares	(117)	(522)	(2,237)
Proceeds from stock options exercised	350	248	314
Dividends paid	(1,849)	(1,539)	(1,443)
Net Cash From (Used in) Financing Activities	(5,281)	11,147	(2,236)
Effect of exchange rate changes on cash and cash equivalents	116	(483)	(198)
Net (Decrease) Increase in Cash and Cash Equivalents	(9,213)	13,619	938
Cash and Cash Equivalents, Beginning of Year	18,620	5,001	4,063
Cash and Cash Equivalents, End of Year	$ 9,407	$ 18,620	$ 5,001

Supplemental Cash Flow Information:			
Income taxes paid	$ 570	$ 620	$ 631
Interest paid	917	181	166

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2017	**2016**
Assets		
Current Assets:		
Cash and cash equivalents	$ 9,407	$ 18,620
Investments, primarily bank time deposits and U.S. treasury bills	203	155
Trade receivables, less allowances of — 2017: $294; 2016: $250	5,249	3,248
Inventories:		
Finished products	2,339	1,624
Work in process	472	294
Materials	790	516
Total inventories	3,601	2,434
Other prepaid expenses and receivables	1,667	1,806
Current assets held for disposition	20	513

Total Current Assets	20,147	26,776
Investments	883	2,947
Property and Equipment, at Cost:		
Land	526	408
Buildings	3,613	2,602
Equipment	10,394	8,394
Construction in progress	732	962
	15,265	12,366
Less: accumulated depreciation and amortization	7,658	6,661
Net Property and Equipment	7,607	5,705
Intangible Assets, net of amortization	21,473	4,539
Goodwill	24,020	7,683
Deferred Income Taxes and Other Assets	1,944	2,263
Non-current Assets Held for Disposition	176	2,753
	$ 76,250	$ 52,666

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

	December 31	
	2017	**2016**
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings	$ 206	$ 1,322
Trade accounts payable	2,402	1,178
Salaries, wages and commissions	1,187	752
Other accrued liabilities	3,811	2,581
Dividends payable	489	391
Income taxes payable	309	188
Current portion of long-term debt	508	3
Current liabilities held for disposition	—	245
Total Current Liabilities	8,912	6,660
Long-term Debt	27,210	20,681
Post-employment obligations and other long-term liabilities	9,030	4,549
Non-current liabilities held for disposition	—	59

Commitments and Contingencies		
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: 2017: 1,965,908,188; 2016: 1,707,475,455	23,206	13,027
Common shares held in treasury, at cost — Shares: 2017: 222,305,719; 2016: 234,606,250	(10,225)	(10,791)
Earnings employed in the business	23,978	25,565
Accumulated other comprehensive income (loss)	(6,062)	(7,263)
Total Abbott Shareholders' Investment	30,897	20,538
Noncontrolling Interests in Subsidiaries	201	179
Total Shareholders' Investment	31,098	20,717
	$ 76,250	$ 52,666

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

	Year Ended December 31		
	2017	**2016**	**2015**
Common Shares:			
Beginning of Year			
Shares: 2017: 1,707,475,455; 2016: 1,702,017,390; 2015: 1,694,929,949	$ 13,027	$ 12,734	$ 12,383
Issued under incentive stock programs			
Shares: 2017: 8,834,924; 2016: 5,458,065; 2015: 7,087,441	242	222	289
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	9,835	—	—
Share-based compensation	406	311	292
Issuance of restricted stock awards	(304)	(240)	(230)
End of Year			
Shares: 2017: 1,965,908,188; 2016: 1,707,475,455; 2015: 1,702,017,390	$ 23,206	$ 13,027	$ 12,734
Common Shares Held in Treasury:			

Beginning of Year			
Shares: 2017: 234,606,250; 2016: 229,352,338; 2015: 186,894,515	$ (10,791)	$ (10,622)	$ (8,678)
Issued under incentive stock programs			
Shares: 2017: 8,696,320; 2016: 5,398,469; 2015: 5,381,586	400	250	250
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	180	—	—
Purchased			
Shares: 2017: 302,637; 2016: 10,652,381; 2015: 47,839,409	(14)	(419)	(2,194)
End of Year			
Shares: 2017: 222,305,719; 2016: 234,606,250; 2015: 229,352,338	$ (10,225)	$ (10,791)	$ (10,622)
Earnings Employed in the Business:			
Beginning of Year	$ 25,565	$ 25,757	$ 22,874
Net earnings	477	1,400	4,423
Cash dividends declared on common shares (per share — 2017: $1.075; 2016: $1.045; 2015: $0.98)	(1,947)	(1,547)	(1,464)
Effect of common and treasury share transactions	(117)	(45)	(76)
End of Year	$ 23,978	$ 25,565	$ 25,757

Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (7,263)	$ (6,658)	$ (5,053)
Business dispositions / separation	149	—	127
Other comprehensive income (loss)	1,052	(605)	(1,732)
End of Year	$ (6,062)	$ (7,263)	$ (6,658)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 179	$ 115	$ 113
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	22	64	2
End of Year	$ 201	$ 179	$ 115

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 — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

CHANGES IN PRESENTATION — In September 2016, Abbott announced that it had entered into an agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson. The transaction closed in February 2017. The operating results of AMO up to the date of sale were reported as part of continuing operations as AMO did not qualify for reporting as a discontinued operation. The assets and liabilities of AMO are reported as held for disposition in Abbott's Consolidated Balance Sheet at December 31, 2016.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. The historical operating results of these two businesses up to the date of sale are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations, net of taxes line in Abbott's Consolidated Statement of Earnings. The cash flows of these businesses are included in Abbott's Consolidated Statement of Cash Flows up to the date of disposition. See Note 2 — Discontinued Operations for additional information.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

USE OF ESTIMATES — The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates; income taxes; pension and other post-employment benefits, including certain asset values that are based on significant unobservable inputs; valuation of intangible assets; litigation; derivative financial instruments; and inventory and accounts receivable exposures.

FOREIGN CURRENCY TRANSLATION — The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive

income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics and medical optics, prior to its divestiture, Abbott participates in selling arrangements that include multiple

deliverables (e.g., instruments, reagents, procedures, and service agreements). Under these arrangements, Abbott recognizes revenue upon delivery of the product or performance of the service and allocates the revenue based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Sales of product rights for marketable products 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.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. The standard becomes effective for Abbott in the first quarter of 2018. Abbott's revenues are primarily comprised of product sales. Abbott completed a thorough evaluation of the new standard including a detailed review of Abbott's revenue streams and contracts. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements. Abbott will use the modified retrospective method to adopt this standard.

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Interest and penalties on income tax obligations are included in taxes on income.

EARNINGS PER SHARE — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2017, 2016 and 2015 were $346 million, $1.057 billion and $2.595 billion, respectively. Net earnings allocated to common shares in 2017, 2016 and 2015 were $468 million, $1.393 billion and $4.403 billion, respectively.

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

FAIR VALUE MEASUREMENTS — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied

by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of

Note 1 — Summary of Significant Accounting Policies (Continued)

significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

SHARE-BASED COMPENSATION — The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 modifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes and classification on the statement of cash flows. Abbott adopted the standard in the first quarter of 2017 and the following changes were made to the presentation of Abbott's financial statements:

- All excess tax benefits or tax deficiencies are now recognized as income tax benefit or expense as applicable. Previously, Abbott recorded the benefits to Shareholders' Investment. The tax benefit recorded in Abbott's Consolidated Statement of Earnings for 2017 was $120 million. The standard does not permit retrospective presentation of this benefit in prior years.

- The tax benefit or deficiency is required to be classified as an operating activity in the statement of cash flows. Previously, it was required to be classified within financing activities. Abbott has adopted this standard on a prospective basis and has not revised the classification of the excess tax benefit in the prior year's Consolidated Statement of Cash Flows.

LITIGATION — Abbott accounts for litigation losses in accordance with FASB ASC No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of approximately $235 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust are accounted for as trading securities. All other 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). Investments in equity securities that are not traded on public stock exchanges are recorded at cost. 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 interest income.

Abbott reviews the carrying value of investments each quarter to determine whether an other than temporary decline in fair value exists. Abbott considers factors affecting the investee, factors affecting the industry the investee operates in and general equity market trends. Abbott considers the length of time an investment's fair value has been below carrying value and the near-term prospects for recovery to carrying value. When Abbott determines that an other than temporary decline has occurred, the investment is written down with a charge to Other (income) expense, net.

Note 1 — Summary of Significant Accounting Policies (Continued)

TRADE RECEIVABLE VALUATIONS — Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

PROPERTY AND EQUIPMENT — Depreciation and amortization are provided on 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 27 years)
Equipment	3 to 20 years (average 11 years)

PRODUCT LIABILITY — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Receivables for insurance recoveries for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized. Product liability losses are self-insured.

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D) — The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until

completed and are then amortized over the remaining useful life. Collaborations are not significant.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is

Note 1 — Summary of Significant Accounting Policies (Continued)

remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 — Discontinued Operations

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million ordinary shares (or approximately 22%) of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the date of closing, the 110 million Mylan N.V. ordinary shares that Abbott received were valued at $5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately $1.6 billion. The shareholder agreement with Mylan N.V. includes voting and other restrictions that prevent Abbott from exercising significant influence over the operating and financial policies of Mylan N.V.

At the close of this transaction Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan provided various back office support services to each other on an interim transitional basis for up to 2 years. Certain services were extended for an additional five to ten months. Charges by Abbott under this transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transition support did not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. Abbott recorded a pretax gain of $207 million on $2.29 billion in net proceeds from the sale of these shares. The gain is recognized in the Other (income) expense line of the 2015 Consolidated Statement of Earnings. As a result of this sale, Abbott's ownership interest in Mylan N.V. decreased to approximately 14%.

In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million gain from the sale of these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. Abbott received cash proceeds of $230 million and reported an after tax gain on the sale of approximately $130 million. In the first quarter of 2016, Abbott received an additional $25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of $16 million.

As a result of the disposition of the above businesses, the operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include

Note 2 — Discontinued Operations (Continued)

an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses, as well as the income tax benefit related to the businesses transferred to AbbVie, which are being reported as discontinued operations are as follows:

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	$ —	$ —	$ 256
AbbVie	—	—	—
Total	$ —	$ —	$ 256
Earnings (Loss) Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	$ 15	$ (4)	$ 13
AbbVie	—	—	—
Total	$ 15	$ (4)	$ 13

Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	$ 15	$ 3	$ 62
AbbVie	109	318	3
Total	$ 124	$ 321	$ 65

The net earnings of discontinued operations include income tax benefits of $109 million in 2017, $325 million in 2016 and $52 million in 2015. The tax benefits in 2017 and 2016 primarily relate to the resolution of various tax positions related to AbbVie's operations for years prior to the separation. 2015 includes $48 million of tax benefits related to the resolution of various tax positions related to prior years.

The sale of the developed markets branded generics pharmaceuticals and animal health business in 2015 resulted in the recognition of a pretax gain of $2.840 billion, tax expense of $1.088 billion and an after tax gain of $1.752 billion. The 2015 tax provision included $667 million of tax expense on certain prior year income earned outside the U.S. related to the developed markets branded generics pharmaceuticals businesses that were not designated as permanently reinvested overseas.

Note 3 — Assets and Liabilities Held for Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017,

Note 3 — Assets and Liabilities Held for Disposition (Continued)

Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, 2016 and 2015, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were $(18) million, $30 million and $64 million, respectively. Assets and liabilities of AMO were classified as held for disposition in Abbott's Consolidated Balance Sheet as of December 31, 2016.

As discussed in Note 6 — Business Acquisitions, in conjunction with the acquisition of Alere Inc. (Alere), Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The legal transfer of certain assets and liabilities related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets and liabilities presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2017, primarily relate to the businesses sold to Quidel.

The following is a summary of the assets and liabilities held for disposition as of December 31, 2017 and 2016:

(in millions)	**December 31, 2017**	**December 31, 2016**
Trade receivables, net	$ 12	$ 222
Total inventories	8	240
Prepaid expenses and other current assets	—	51
Current assets held for disposition	20	513
Net property and equipment	56	247

Intangible assets, net of amortization		18		529
Goodwill		102		1,966
Deferred income taxes and other assets		—		11
Non-current assets held for disposition		176		2,753
Total assets held for disposition	$	196	$	3,266
Trade accounts payable	$	—	$	71
Salaries, wages, commissions and other accrued liabilities		—		174
Current liabilities held for disposition		—		245
Post-employment obligations, deferred income taxes and other long-term liabilities		—		59
Total liabilities held for disposition	$	—	$	304

Note 4 — Supplemental Financial Information

Other (income) expense, net, for 2017 includes a pre-tax gain of $1.163 billion related to the sale of AMO to Jonhson & Johnson. See Note 3 — Assets and Liabilities Held for Disposition for further details. Other (income) expense, net, for 2016 includes expense of $947 million to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary. Other (income) expense, net, for 2015 primarily relates to a $207 million gain on the sale of a portion of Abbott's position in Mylan N.V. stock and $79 million of income resulting from a decrease in the fair value of contingent consideration related to a business acquisition.

The detail of various balance sheet components is as follows:

	2017	2016
	(in millions)	
Long-term Investments:		
Equity securities	$ 797	$ 2,906
Other	86	41
Total	$ 883	$ 2,947

The decrease in long-term investments relates to the sale in 2017 of the remaining ordinary shares of Mylan N.V. that Abbott held. Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million pre-tax gain in 2017 related to the sale of these ordinary shares, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. As of December 31, 2017, Abbott no longer has an ownership interest in Mylan N.V.

Abbott's equity securities as of December 31, 2017, include $363 million of investments in mutual funds that are held in a rabbi trust and were acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Note 4 — Supplemental Financial Information (Continued)

	2017	2016
	(in millions)	
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 124	$ 110
Accrued other rebates (a)	498	296
All other	3,189	2,175
Total	$ 3,811	$ 2,581

(a) Accrued wholesaler chargeback rebates of $178 million and $214 million at December 31, 2017 and 2016, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

	2017	2016
	(in millions)	
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 2,169	$ 2,154
Deferred income taxes	2,006	356
All other (b)	4,855	2,039
Total	$ 9,030	$ 4,549

(b) 2017 includes approximately $835 million of net unrecognized tax benefits, as well as approximately $100 million of acquisition consideration payable. 2016 includes approximately $560 million of net unrecognized tax benefits, as well as approximately $130 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of $480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2017, Abbott's investment in its Venezuelan operations was not significant. As a result, any additional future foreign currency losses related to Venezuela would not be material.

Note 5 — Accumulated Other Comprehensive Income (Loss)

The components of the changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows: (*in millions*)

	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2015	$ (4,829)	$ (1,958)	$ 65	$ 64	$ (6,658)
Other comprehensive income (loss) before reclassifications	(130)	(393)	(1,109)	41	(1,591)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	67	975	(56)	986
Net current period other comprehensive income (loss)	(130)	(326)	(134)	(15)	(605)
Balance at December 31, 2016	(4,959)	(2,284)	(69)	49	(7,263)

Impact of business dispositions	142	6	—	1	149
Other comprehensive income (loss) before reclassifications	1,365	(333)	182	(170)	1,044
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	90	(118)	36	8
Net current period other comprehensive income (loss)	1,365	(243)	64	(134)	1,052
Balance at December 31, 2017	$ (3,452)	$ (2,521)	$ (5)	$ (84)	$ (6,062)

(a) Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange (gain) loss; gains (losses) on marketable equity securities are recorded as Other (income) expense and gains/losses related to cash flow hedges are recorded as Cost of product sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit plan cost — see Note 13 for additional information.

Note 6 — Business Acquisitions

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of

Note 6 — Business Acquisitions (Continued)

$39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately $81 per St. Jude Medical common share and total purchase consideration of $23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	$ 15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)
Net debt	(5.3)
Total final allocation of fair value	$ 23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $1.1 billion, inventory of approximately $1.7 billion, other current assets of $176 million, property and equipment of approximately $1.5 billion, and other long-term assets of approximately $455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $1.1 billion and other non-current liabilities of approximately $870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately $1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 10 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

Note 6 — Business Acquisitions (Continued)

The preliminary allocation of the fair value of the Alere acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)	
Acquired intangible assets, non-deductible	$ 3.5
Goodwill, non-deductible	4.1
Acquired net tangible assets	0.9
Deferred income taxes recorded at acquisition	(0.7)
Net debt	(2.6)
Preferred stock	(0.7)
Total preliminary allocation of fair value	$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately $430 million, inventory of approximately $425 million, other current assets of $206 million, property and equipment of approximately $540 million, and other long-term assets of $112 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $625 million and other non-current liabilities of approximately $160 million.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of $400 million payable at the close of the transaction, $240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of $40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for

approximately $200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include $6.5 billion of sales and a pre-tax loss of approximately $1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately $1.5 billion of intangible amortization and $907 million of inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately $485 million in 2016. This includes amortization of approximately $940 million of inventory step-up and $1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately $750 million, which includes $225 million of

Note 6 — Business Acquisitions (Continued)

intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately $907 million which was recorded in 2017 but included in the 2016 unaudited pro forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of $402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the $400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately $225 million in cash plus additional payments up to $150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately $142 million, deferred tax assets and other net assets of approximately $18 million, deferred tax liabilities of approximately $85 million, and contingent consideration of approximately $70 million. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products segment. If the acquisition of Tendyne had taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

Note 7 — Goodwill and Intangible Assets

The total amount of goodwill reported was $24.0 billion at December 31, 2017 and $7.7 billion at December 31, 2016. The amounts reported at December 31, 2017 and 2016 exclude goodwill reported in non-current assets held for disposition. In 2017, approximately $2.0 billion of goodwill was included as part of the net assets sold in the AMO divestiture. Goodwill increased by $17.2 billion in 2017 due to the completion of the St. Jude Medical and

Alere acquisitions, partially offset by a decrease of $1.5 billion due to the sale of certain businesses to Terumo, Quidel and Siemens. Foreign currency translation increased goodwill by $653 million in 2017 and decreased goodwill by $66 million in 2016. Business acquisitions increased goodwill by approximately $79 million during 2016. The amount of goodwill related to reportable segments at December 31, 2017 was $3.2 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $4.1 billion for the Diagnostic Products segment, and $15.5 billion for the Cardiovascular and Neuromodulation Products segment. The Cardiovascular and

Note 7 — Goodwill and Intangible Assets (Continued)

Neuromodulation Products segment includes the amount previously reported under Abbott's Vascular Products segment, as well as the goodwill related to the St. Jude Medical acquisition. In 2017, there was no significant reduction of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was $25.6 billion and $10.4 billion as of December 31, 2017 and 2016, respectively, and accumulated amortization was $8.1 billion and $6.2 billion as of December 31, 2017 and 2016, respectively. The December 31, 2016 amounts exclude net intangible assets reported in non-current assets held for disposition. As part of the sale of AMO in 2017, approximately $529 million of net intangible assets were included in the net assets sold. In 2017, the gross amount of amortizable intangible assets increased by approximately $14.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of $210 million due to the sale of certain businesses to Quidel and Siemens. In 2016, intangible assets increased by approximately $104 million related to business acquisitions.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $3.9 billion and $349 million at December 31, 2017 and 2016, respectively. In 2017, in-process research and development increased by $4.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, a portion of which became amortizable during the year. In 2017, Abbott also recorded a $53 million impairment of an in-process research and development project related to the Cardiovascular and Neuromodulation Products segment. In 2016, Abbott recorded an impairment of a $59 million in-process research and development project related to a non-reportable segment. Foreign currency translation increased intangible assets by $227 million in 2017 and $6 million in 2016.

The estimated annual amortization expense for intangible assets recorded at December 31, 2017 is approximately $2.4 billion in 2018, $2.3 billion in 2019, $2.1 billion in 2020, $2.0 billion in 2021 and $2.0 billion in 2022. Amortizable intangible assets are amortized over 2 to 20 years (average 14 years).

Note 8 — Restructuring Plans

In 2017, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the cardiovascular and neuromodulation segment and Alere into the diagnostics segment, in order to leverage economies of scale and reduce costs. In 2017, charges of approximately $187 million, including one-time employee termination benefits were recorded, of which approximately $5 million is recorded in Cost of products sold and approximately $182 million in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St. Jude Medical and Alere acquisitions. The following summarizes the activity in 2017 related to these actions and the status of the related accrual as of December 31, 2017:

	(in millions)

Liabilities assumed as part of business acquisitions	$ 23
Restructuring charges	187
Payments and other adjustments	(142)
Accrued balance at December 31, 2017	$ 68

Note 8 — Restructuring Plans (Continued)

From 2014 to 2017, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $120 million in 2017, $33 million in 2016, and $95 million in 2015. Approximately $7 million in 2017, $9 million in 2016 and $18 million in 2015 are recorded in Cost of products sold, approximately $77 million in 2017, $5 million in 2016 and $34 million in 2015 are recorded in Research and development and approximately $36 million in 2017, $19 million in 2016 and $43 million in 2015 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017, $2 million in 2016 and $45 million in 2015 were recorded primarily for accelerated depreciation. The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2014	$ 164
Payments and other adjustments	(46)
Accrued balance at December 31, 2014	118
Restructuring charges	95
Payments and other adjustments	(113)
Accrued balance at December 31, 2015	100
Restructuring charges	33
Payments and other adjustments	(67)
Accrued balance at December 31, 2016	66

Restructuring charges	120
Payments and other adjustments	(45)
Accrued balance at December 31, 2017	$ 141

Note 9 — Incentive Stock Program

In connection with the completion of the St. Jude Medical acquisition in the first quarter of 2017, unvested St. Jude Medical stock options and restricted stock units were assumed by Abbott and converted into Abbott options and restricted stock units (as applicable) of substantially equivalent value, in accordance with the merger agreement. The number of shares underlying the converted options was 7,364,571 at a weighted average exercise price of $30.50. The number of restricted stock units converted was 2,324,500 at a weighted average grant date fair value of $37.69.

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2017, Abbott granted 4,985,970 stock options, 580,203 restricted stock awards and 7,687,009 restricted stock units under this program.

Under Abbott's stock incentive 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 generally vest equally over three years. Restricted stock awards generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the

Note 9 — Incentive Stock Program (Continued)

award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2017, approximately 169 million shares remained available for future issuance.

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2017 and December 31, 2016 was 15,518,719 and $42.82 and 13,705,511 and $41.03, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, converted, vested and lapsed during 2017 were 8,267,212 and $45.20, 2,324,500 and $37.69, 7,553,969 and $40.77 and 1,224,535 and $41.76, respectively. The fair market value of restricted stock awards and units vested in 2017, 2016 and 2015 was $348 million, $225 million and $312 million, respectively.

	Options Outstanding			Exercisable Options		
	Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Years)**	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Years)**
December 31, 2016	35,888,333	$ 34.17	5.3	23,290,260	$ 30.48	3.5
Granted	4,985,970	45.03				
Converted for St. Jude Medical	7,364,571	30.50				
Exercised	(11,620,026)	27.85				
	(805,048)	39.76				

Lapsed							
December 31, 2017	35,813,800	$ 36.85	5.8	22,216,890	$ 34.54	4.7	

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2017 were each $500 million. The total intrinsic value of options exercised in 2017, 2016 and 2015 was $233 million, $98 million and $167 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2017 amounted to approximately $291 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2017, 2016 and 2015 for share-based plans totaled approximately $406 million, $310 million and $291 million, respectively, and the tax benefit recognized was approximately $242 million, $100 million and $98 million, respectively. The increase in the 2017 tax benefit primarily relates to the $120 million of tax benefit recorded in income after the adoption of ASU 2016-09. Stock compensation cost capitalized as part of inventory is not significant.

Note 9 — Incentive Stock Program (Continued)

The fair value of an option granted in 2017, 2016 and 2015 was $6.54, $4.38, and $6.67, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2017	2016	2015
Risk-free interest rate	2.1 %	1.4 %	1.8 %
Average life of options (years)	6.0	6.0	6.0
Volatility	18.0 %	17.0 %	17.0 %
Dividend yield	2.4 %	2.7 %	2.0 %

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

Note 10 — Debt and Lines of Credit

The following is a summary of long-term debt at December 31: (*in millions*)

	2017	2016
5.125% Notes, due 2019	$ 947	$ 947
2.35% Notes, due 2019	2,850	2,850
2.50% Line of credit borrowing due 2019	1,150	—
2.80% Notes, due 2020	500	—
4.125% Notes, due 2020	597	597
2.00% Notes, due 2020	750	750
2.90% Notes, due 2021	2,850	2,850
2.55% Notes, due 2022	750	750
2.62% Term loan due 2022	2,800	—
3.25% Notes, due 2023	900	—
3.40% Notes, due 2023	1,500	1,500
3.875% Notes, due 2025	500	—
2.95% Notes, due 2025	1,000	1,000

3.75% Notes, due 2026	3,000	3,000
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.0% Notes, due 2039	515	515
5.3% Notes, due 2040	694	694
4.75% Notes, due 2043	700	—
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(119)	(117)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(121)	(102)
Total, net of current maturities	27,210	20,681
Current maturities of long-term debt	508	3
Total carrying amount	$ 27,718	$ 20,684

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott's long-term debt increased due to the assumption of outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of:

	Principal Amount
2.00% Senior Notes due 2018	$ 473.8 million
2.80% Senior Notes due 2020	$ 483.7 million
3.25% Senior Notes due 2023	$ 818.4 million

3.875% Senior Notes due 2025	$	490.7 million
4.75% Senior Notes due 2043	$	639.1 million

Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the

Note 10 — Debt and Lines of Credit (Continued)

first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed $2.0 billion under a 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

In 2017, Abbott issued 364-day yen-denominated debt, of which $195 million was outstanding at December 31, 2017. Abbott also paid off a $479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to $2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed $2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017 Abbott borrowed $1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit are part of a 2014 revolving credit agreement that provides Abbott with the ability to borrow up to $5 billion on an unsecured basis. Advances under the revolving credit agreement, including the $1.7 billion borrowing in October 2017, will mature and be payable on July 10, 2019. The $1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off $550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.

In November 2016, Abbott issued $15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued $2.85 billion of 2.35% Senior Notes due November 22, 2019; $2.85 billion of 2.90% Senior Notes due November 30, 2021; $1.50 billion of 3.40% Senior Notes due November 30, 2023; $3.00 billion of 3.75% Senior Notes due November 30, 2026; $1.65 billion of 4.75% Senior Notes due November 30, 2036; and $3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt,

which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In March 2015, Abbott issued $2.5 billion of long-term debt consisting of $750 million of 2.00% Senior Notes due March 15, 2020; $750 million of 2.55% Senior Notes due March 15, 2022; and $1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. Abbott also entered into interest rate swap contracts totaling $2.5 billion, of which $1.5 billion was unwound in 2017. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

Note 10 — Debt and Lines of Credit (Continued)

Principal payments required on long-term debt outstanding at December 31, 2017 are $508 million in 2018, $5.0 billion in 2019, $1.8 billion in 2020, $2.9 billion in 2021, $3.6 billion in 2022 and $14.3 billion in 2023 and thereafter.

At December 31, 2017, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott has readily available financial resources, including lines of credit of $5.0 billion which expire in 2019 and that support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.3% at December 31, 2017, 0.6% at December 31, 2016 and 0.2% at December 31, 2015.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed $9 billion in conjunction with its pending acquisition of Alere. This commitment, which was automatically extended for up to 90 days on January 29, 2017, expired on April 30, 2017 and was not renewed since Abbott did not need this bridge facility to finance the Alere acquisition. The fees associated with the bridge facilities were recognized in interest expense.

Note 11 — Financial Instruments, Derivatives and Fair Value Measures

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, with notional amounts totaling $3.3 billion at December 31, 2017, and $2.6 billion at December 31, 2016, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. At December 31, 2016, $107 million of the notional amount related to AMO, a business that was divested in the first quarter of 2017. Accumulated gains and losses as of December 31, 2017 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months. The amount of hedge ineffectiveness was not significant in 2017, 2016 and 2015.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and 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. For intercompany loans, the contracts require Abbott to sell or buy 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. At December 31, 2017, 2016 and 2015, Abbott held notional amounts of $20.1 billion, $14.9 billion and $14.0 billion, respectively, of such foreign currency forward exchange contracts. At December 31, 2016, $1.2 billion of the contracts related to AMO, a business that was divested in the first quarter of 2017.

In March 2017, Abbott repaid its $479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016 and 2015, the value of this short-term debt was $454 million and $439 million, respectively, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

Abbott is a party to interest rate hedge contracts totaling notional amounts of $4.0 billion at December 31, 2017, $5.5 billion at December 31, 2016 and $4.0 billion at December 31, 2015, to manage its exposure to changes in the fair value of fixed-rate debt. 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. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2017, 2016 and 2015 for these hedges.

In the second quarter of 2017, Abbott unwound approximately $1.5 billion in interest rate swaps relating to the 2.00% Note due in 2020 and the 2.55% Note due in 2022. The proceeds received were not significant.

In December 2016, Abbott unwound approximately $1.5 billion in interest rate swaps relating to the 4.125% Note due in 2020 and the 5.125% Note due in 2019. As part of the unwinding, Abbott received approximately $55 million in cash, which was included in the Cash Flow From Financing Activities section of the Consolidated Statement of Cash Flows in 2016.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $(5) million, $10 million and $171 million at December 31, 2017, 2016 and 2015, respectively.

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value — Assets			Fair Value — Liabilities		
	2017	2016	Balance Sheet Caption	2017	2016	Balance Sheet Caption
			(in millions)			
Interest rate swaps designated as fair value hedges	$ —	$ 8	Deferred income taxes and other assets	$ 93	$ 74	Post-employment obligations and other long-term liabilities

Foreign currency forward exchange contracts —						
Hedging instruments	21	99	Other prepaid expenses and receivables	106	15	Other accrued liabilities
Others not designated as hedges	117	177	Other prepaid expenses and receivables	99	67	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	—	454	Short-term borrowings
	$ 138	$ 284		$ 298	$ 610	

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income. The amount of hedge ineffectiveness was not significant in 2017, 2016 and 2015 for these hedges.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			Income Statement Caption
	2017	2016	2015	2017	2016	2015	
	(in millions)						
Foreign currency forward exchange contracts designated as cash flow hedges	$ (226)	$ 49	$ 91	$ (48)	$ 48	$ 124	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(25)	(15)	6	—	—	—	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(24)	(127)	15	Interest expense

Losses of $64 million, gains of $8 million and losses of $77 million were recognized in 2017, 2016 and 2015, respectively, related to foreign currency forward exchange contracts not

designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps 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. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

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. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Long-term Investment Securities:				
Equity securities	$ 797	$ 797	$ 2,906	$ 2,906
Other	86	86	41	42
Total Long-term Debt	(27,718)	(29,018)	(20,684)	(21,147)
Foreign Currency Forward Exchange Contracts:				
Receivable position	138	138	276	276
(Payable) position	(205)	(205)	(82)	(82)
Interest Rate Hedge Contracts:				
Receivable position	—	—	8	8
(Payable) position	(93)	(93)	(74)	(74)

Note 11 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

		Basis of Fair Value Measurement		
	Outstanding Balances	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**
	(in millions)			
December 31, 2017:				
Equity securities	$ 374	$ 374	$ —	$ —
Foreign currency forward exchange contracts	138	—	138	—
Total Assets	$ 512	$ 374	$ 138	$ —
Fair value of hedged long-term debt	$ 3,898	$ —	$ 3,898	$ —
Interest rate swap financial instruments	93	—	93	—
Foreign currency forward exchange contracts	205	—	205	—
Contingent consideration	120	—	—	120

related to business combinations				
Total Liabilities	$ 4,316	$ —	$ 4,196	$ 120
December 31, 2016:				
Equity securities	$ 2,676	$ 2,676	$ —	$ —
Interest rate swap financial instruments	8	—	8	—
Foreign currency forward exchange contracts	276	—	276	—
Total Assets	$ 2,960	$ 2,676	$ 284	$ —
Fair value of hedged long-term debt	$ 5,413	$ —	$ 5,413	$ —
Interest rate swap financial instruments	74	—	74	—
Foreign currency forward exchange contracts	82	—	82	—
Contingent consideration related to business combinations	136	—	—	136
Total Liabilities	$ 5,705	$ —	$ 5,569	$ 136

The decrease in equity securities in 2017 was driven by the sale of the remaining Mylan N.V. ordinary shares held by Abbott. Abbott sold 69.75 million ordinary shares of Mylan N.V. in 2017 which had a value of approximately $2.7 billion. The fair value of the Mylan N.V. equity securities up through the date of sale was determined based on the value of the publicly-traded ordinary shares. The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

The fair value of the contingent consideration was determined based on independent appraisals adjusted for the time value of money and other changes in fair value primarily resulting from changes in regulatory timelines. Contingent consideration relates to businesses acquired by Abbott. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately $525 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

Note 12 — Litigation and Environmental Matters

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. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $115 million to $160 million. The recorded accrual balance at December 31, 2017 for these proceedings and exposures was approximately $135 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 13 — Post-Employment Benefits

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	
(in millions)	**2017**	**2016**	**2017**	**2016**
Projected benefit obligations, January 1	$ 8,517	$ 7,820	$ 1,274	$ 1,262
Service cost — benefits earned during the year	283	263	25	26
Interest cost on projected benefit obligations	287	288	45	43
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	752	645	149	13
Benefits paid	(276)	(242)	(80)	(71)
Other, including foreign currency translation	390	(257)	(20)	1
Projected benefit obligations, December 31	$ 9,953	$ 8,517	$ 1,393	$ 1,274
	$ 7,542	$ 6,772	$ 416	$ 441

Plan assets at fair value, January 1				
Actual return on plans' assets	1,107	631	65	28
Company contributions	645	582	12	10
Benefits paid	(276)	(242)	(74)	(63)
Other, including foreign currency translation	280	(201)	—	—
Plan assets at fair value, December 31	$ 9,298	$ 7,542	$ 419	$ 416
Projected benefit obligations greater than plan assets, December 31	$ (655)	$ (975)	$ (974)	$ (858)
Long-term assets	$ 563	$ 340	$ —	$ —
Short-term liabilities	(21)	(18)	(2)	(1)
Long-term liabilities	(1,197)	(1,297)	(972)	(857)
Net liability	$ (655)	$ (975)	$ (974)	$ (858)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 3,466	$ 3,301	$ 456	$ 373
Prior service cost (credits)	(9)	—	(208)	(254)
	$ 3,457	$ 3,301	$ 248	$ 119

	Total			

The projected benefit obligations for non-U.S. defined benefit plans was $3.0 billion and $2.5 billion at December 31, 2017 and 2016, respectively. The accumulated benefit obligations for all defined benefit plans were $8.9 billion and $7.4 billion at December 31, 2017 and 2016, respectively.

Note 13 — Post-Employment Benefits (Continued)

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2017 and 2016, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	**2017**	**2016**
Accumulated benefit obligation	$ 1,664	$ 1,485
Projected benefit obligation	1,892	1,697
Fair value of plan assets	696	653

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			**Medical and Dental Plans**		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	(in millions)					
Service cost — benefits earned during the year	$ 283	$ 263	$ 307	$ 25	$ 26	$ 33
Interest cost on projected benefit obligations	287	288	314	45	43	52
Expected return on plans' assets	(613)	(565)	(511)	(33)	(35)	(39)
Amortization of actuarial losses	163	129	184	23	16	23
Amortization of prior service cost (credits)	1	—	1	(45)	(45)	(48)
Total cost	121	115	295	15	5	21

Less: Discontinued operations	—	—	(3)	—	—	—
Net cost — continuing operations	$ 121	$ 115	$ 292	$ 15	$ 5	$ 21

In 2017, Abbott recognized a $10 million curtailment gain related to the sale of AMO.

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of $247 million for defined benefit plans and $97 million for medical and dental plans in 2017; net actuarial losses of $571 million for defined benefit plans and $20 million for medical and dental plans in 2016; net actuarial gains of $37 million for defined benefit plans and $116 million for medical and dental plans in 2015.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2017 that is expected to be recognized in the net periodic benefit cost in 2018 is $213 million and $1 million of expense, respectively, for defined benefit pension plans and $31 million of expense and $45 million of income, respectively, for medical and dental plans.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2017	2016	2015
Discount rate	3.4 %	3.9 %	4.3 %
Expected aggregate average long-term change in compensation	4.4 %	4.3 %	4.4 %

Note 13 — Post-Employment Benefits (Continued)

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2017	2016	2015
Discount rate	3.9 %	4.3 %	3.9 %
Expected return on plan assets	7.6 %	7.6 %	7.4 %
Expected aggregate average long-term change in compensation	4.3 %	4.3 %	4.3 %

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2017	2016	2015
Health care cost trend rate assumed for the next year	9 %	8 %	8 %
Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2027	2027	2028

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. 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, 2017, by $179 million / $(150) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $11 million/$(9) million.

Note 13 — Post-Employment Benefits (Continued)

The following table summarizes the basis used to measure the defined benefit and medical and dental plan assets at fair value:

		Basis of Fair Value Measurement			
	Outstanding Balances	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Measured at NAV (k)**
	(in millions)				
December 31, 2017:					
Equities:					
U.S. large cap (a)	$ 2,506	$ 1,600	$ —	$ —	$ 906
U.S. mid and small cap (b)	670	243	—	—	427
International (c)	1,937	448	—	—	1,489
Fixed income securities:					
U.S. government securities (d)	510	11	286	—	213
Corporate debt instruments (e)	930	107	411	—	412
Non-U.S. government securities (f)	625	222	—	—	403

Other (g)	216	93	27	—	96
Absolute return funds (h)	1,814	135	—	—	1,679
Commodities (i)	60	—	—	4	56
Cash and Cash Equivalents	178	12	—	—	166
Other (j)	271	7	—	—	264
	$ 9,717	$ 2,878	$ 724	$ 4	$ 6,111
December 31, 2016:					
Equities:					
U.S. large cap (a)	$ 1,889	$ 1,284	$ —	$ —	$ 605
U.S. mid and small cap (b)	549	183	—	—	366
International (c)	1,345	356	—	—	989
Fixed income securities:					
U.S. government securities (d)	437	5	258	—	174
Corporate debt instruments (e)	813	100	348	—	365
Non-U.S. government securities (f)	514	175	—	—	339
	183	80	20	—	83

Other (g)					
Absolute return funds (h)	1,891	106	—	—	1,785
Commodities (i)	84	—	—	12	72
Cash and Cash Equivalents	100	8	—	—	92
Other (j)	153	—	—	—	153
	$ 7,958	$ 2,297	$ 626	$ 12	$ 5,023

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

Note 13 — Post-Employment Benefits (Continued)

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Japan, the Netherlands and Irish government-issued bonds.

(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.

(h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

(i) Primarily investments in liquid commodity future contracts and private energy funds.

(j) Primarily investments in private funds, such as private equity, private credit and private real estate.

(k) In accordance with ASU 2015-07, investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2017 and 2016. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not

have any unfunded commitments related to absolute return funds at December 31, 2017 and 2016. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 45 days. For approximately $100 million of the absolute return funds, redemptions are subject to a 25% gate. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2018 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2017 and 2016 were not significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2018 to 2027. Abbott's unfunded commitment in these funds was $489 million and $337 million as of December 31, 2017 and 2016, respectively.

Note 13 — Post-Employment Benefits (Continued)

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $645 million in 2017 and $582 million in 2016 to defined pension plans. Abbott expects to contribute approximately $114 million to its pension plans in 2018.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2018	$ 278	$ 68
2019	289	71
2020	307	74
2021	324	77
2022	344	79

2023 to 2027	2,032	421

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $79 million in 2017, $83 million in 2016 and $81 million in 2015.

Note 14 — Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

The Tax Cuts and Jobs Act ("TCJA") was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which is included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate is provisional and includes a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities and a net benefit of approximately $10 million related to certain other impacts of the TCJA.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. Abbott has not yet completed its calculation of the total post-1986 E&P for its foreign subsidiaries. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. This amount may change as Abbott finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash and other specified assets. Abbott plans to elect to pay the transition tax over eight years as allowed by the TCJA.

Given the significant complexity of the TCJA, Abbott will continue to evaluate and analyze the impact of this legislation. The $1.46 billion estimate is provisional and is based on Abbott's initial analysis of the TCJA and may be materially adjusted in future periods due to among other things, additional analysis performed by Abbott and additional guidance that may be issued by the U.S. Department of Treasury, the Securities and Exchange Commission, or the Financial Accounting Standards Board.

In 2017, taxes on earnings from continuing operations also include $435 million of tax expense related to the gain on the sale of the AMO business. In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately $225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO. In 2015, taxes on earnings from continuing operations include a tax cost of $71 million related to the disposal of shares of Mylan N.V. stock.

No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities is not practicable. In the U.S., Abbott's federal income tax returns through 2013 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2012. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

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

(in millions)	2017	2016	2015
Earnings From Continuing Operations Before Taxes:			
Domestic	$ 308	$ 306	$ 789
Foreign	1,923	1,107	2,394
Total	$ 2,231	$ 1,413	$ 3,183

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

(in millions)	2017	2016	2015
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 2,260	$ 71	$ 64
Foreign	508	406	220
Total current	2,768	477	284
Deferred:			
Domestic	(679)	(147)	313
Foreign	(211)	20	(20)
Total deferred	(890)	(127)	293
Total	$ 1,878	$ 350	$ 577

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

	2017	2016	2015

Statutory tax rate on earnings from continuing operations	35.0 %	35.0 %	35.0 %
Impact of foreign operations	(16.3)	(17.8)	(18.2)
Impact of TCJA	65.5	—	—
Excess tax benefits related to stock compensation	(5.4)	—	—
Research tax credit	(1.9)	(1.8)	(0.6)
Resolution of certain tax positions pertaining to prior years	—	(16.1)	—
Mylan share adjustment	—	25.5	—
State taxes, net of federal benefit	0.5	(1.3)	0.3
Federal tax cost on sale of Mylan N.V. shares	3.4	—	2.2
All other, net	3.4	1.3	(0.6)
Effective tax rate on earnings from continuing operations	84.2 %	24.8 %	18.1 %

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015.

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2017	2016
Deferred tax assets:		
Compensation and employee benefits	$ 881	$ 1,061
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,795	2,384
Trade receivable reserves	185	207
Inventory reserves	152	157
Deferred intercompany profit	249	231
State income taxes	62	164
Total deferred tax assets before valuation allowance	4,324	4,204
Valuation allowance	(1,355)	(189)
Total deferred tax assets	$ 2,969	$ 4,015
Deferred tax liabilities:		
Depreciation	(200)	(152)

Unremitted earnings of foreign subsidiaries	—	(175)
Other, primarily the excess of book basis over tax basis of intangible assets	(3,385)	(2,018)
Total deferred tax liabilities	(3,585)	(2,345)
Total net deferred tax assets (liabilities)	$ (616)	$ 1,670

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset. The increase in the valuation allowance from 2016 to 2017 relates to deferred tax assets recorded in certain entities acquired as part of the acquisition of St. Jude Medical. Abbott does not believe that it is more likely than not that the benefits of these deferred tax assets will be realized.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	**2017**	**2016**
January 1	$ 972	$ 1,438
Increase in tax positions due to acquisitions	479	—
Increase due to current year tax positions	187	145
Increase due to prior year tax positions	76	101
Decrease due to prior year tax positions	(176)	(703)
Settlements	(57)	(9)
Lapse of statute	(41)	—
December 31	$ 1,440	$ 972

Note 14 — Taxes on Earnings from Continuing Operations (Continued)

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.36 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $150 million to $300 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 15 — Segment and Geographic Area Information

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. On January 4, 2017, Abbott completed the acquisition of St. Jude Medical. Beginning with the first quarter of 2017, Abbott's cardiovascular and neuromodulation business includes the results of its historical Vascular Products segment and the results of the businesses acquired from St. Jude Medical from the date of acquisition. On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

Established Pharmaceutical Products — International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products — Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Molecular Diagnostics, Point of Care, Rapid Diagnostics and Ibis diagnostic divisions are aggregated and reported as the Diagnostic Products segment. Rapid Diagnostics is the business acquired from Alere.

Cardiovascular and Neuromodulation Products — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart and neuromodulation products.

Non-reportable segments include AMO through the date of sale and Diabetes Care.

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. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

Note 15 — Segment and Geographic Area Information (Continued)

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 (a)			Operating Earnings (a)		
(in millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Established Pharmaceuticals	$ 4,287	$ 3,859	$ 3,720	$ 848	$ 723	$ 658
Nutritionals	6,925	6,899	6,975	1,589	1,660	1,741
Diagnostics	5,616	4,813	4,646	1,468	1,194	1,171
Cardiovascular and Neuromodulation	8,911	2,896	2,792	2,720	1,037	1,061
Total Reportable Segments	25,739	18,467	18,133	$ 6,625	$ 4,614	$ 4,631
Other	1,651	2,386	2,272			
Total	$ 27,390	$ 20,853	$ 20,405			

(a) Net sales were unfavorably affected by the relatively stronger U.S. dollar in 2016 and 2015. Operating earnings were unfavorably affected by the impact of foreign exchange in 2017, 2016 and 2015.

	2017	**2016**	**2015**
	(in millions)		
Total Reportable Segment Operating Earnings	$ 6,625	$ 4,614	$ 4,631

Corporate functions and benefit plans costs	(506)	(411)	(416)
Non-reportable segments	306	304	268
Net interest expense	(780)	(332)	(58)
Share-based compensation	(406)	(310)	(291)
Amortization of intangible assets	(1,975)	(550)	(601)
Other, net (b)	(1,033)	(1,902)	(350)
Earnings from Continuing Operations before Taxes	$ 2,231	$ 1,413	$ 3,183

(b) Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business in 2017. In 2016, Other, net includes the $947 million adjustment of the Mylan equity investment and $480 million of foreign currency exchange loss related to operations in Venezuela. Charges for restructuring actions and other cost reduction initiatives were approximately $384 million in 2017, $167 million in 2016 and $310 million in 2015. 2015 includes a $207 million pre-tax gain on the sale of a portion of the Mylan N.V. ordinary shares.

Note 15 — Segment and Geographic Area Information (Continued)

	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
(in millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**201**
Established Pharmaceuticals	$ 90	$ 71	$ 83	$ 181	$ 150	$ 112	$ 2,728	$ 2,486	$ 2,
Nutritionals	164	160	157	147	199	139	3,160	3,189	3,
Diagnostics	300	267	310	374	379	319	4,226	2,945	2,
Cardiovascular and Neuromodulation	298	69	74	206	23	32	5,074	1,425	1,
Total Reportable Segments	852	567	624	908	751	602	$ 15,188	$ 10,045	$ 9,
Other	194	236	247	227	370	508			
Total	$ 1,046	$ 803	$ 871	$ 1,135	$ 1,121	$ 1,110			

(c) Amounts exclude property, plant and equipment acquired through business acquisitions.

	2017	2016	2015
	(in millions)		
Total Reportable Segment Assets	$ 15,188	$ 10,045	$ 9,777
Cash and investments	10,493	21,722	10,166

Non-reportable segments	740	1,280	1,267
Goodwill and intangible assets (d)	45,493	12,222	15,200
All other (d)	4,336	7,397	4,837
Total Assets	$ 76,250	$ 52,666	$ 41,247

(d) Goodwill and intangible assets related to AMO are included in the All other line in 2016.

Note 15 — Segment and Geographic Area Information (Continued)

	Net Sales to External Customers (e)		
	2017	**2016**	**2015**
	(in millions)		
United States	$ 9,673	$ 6,486	$ 6,270
China	2,146	1,728	1,796
Germany	1,366	1,044	1,004
Japan	1,255	924	895
India	1,237	1,114	1,053
The Netherlands	929	830	855
Switzerland	841	766	784
Russia	664	554	483
France	628	352	375
Brazil	541	410	381
Italy	507	365	383
United Kingdom	498	377	430
Colombia	494	424	388

Canada	443	408	428
Vietnam	427	434	331
All Other Countries	5,741	4,637	4,549
Consolidated	$ 27,390	$ 20,853	$ 20,405

(e) Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2017 and 2016, Long-lived assets totaled $8.9 billion and $6.6 billion, respectively, and in the United States such assets totaled $4.5 billion and $3.1 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 16 — Quarterly Results (Unaudited)

(in millions except per share data)	**2017**	**2016**
First Quarter		
Continuing Operations:		
Net Sales	$ 6,335	$ 4,885
Gross Profit	2,769	2,601
Earnings from Continuing Operations	386	56
Basic Earnings per Common Share	0.22	0.04
Diluted Earnings per Common Share	0.22	0.04
Net Earnings	419	316
Basic Earnings Per Common Share (a)	0.24	0.21
Diluted Earnings Per Common Share (a)	0.24	0.21
Market Price Per Share-High	45.84	44.05
Market Price Per Share-Low	38.34	36.00
Second Quarter		
Continuing Operations:		

Net Sales	$ 6,637	$ 5,333
Gross Profit	3,072	2,901
Earnings from Continuing Operations	270	599
Basic Earnings per Common Share	0.15	0.40
Diluted Earnings per Common Share	0.15	0.40
Net Earnings	283	615
Basic Earnings Per Common Share (a)	0.16	0.41
Diluted Earnings Per Common Share (a)	0.16	0.41
Market Price Per Share-High	49.59	44.58
Market Price Per Share-Low	42.31	36.76

Third Quarter

Continuing Operations:

Net Sales	$ 6,829	$ 5,302
Gross Profit	3,471	2,877
Earnings (Loss) from Continuing Operations	561	(357)
Basic Earnings (Loss) per Common Share	0.32	(0.24)
Diluted Earnings (Loss) per Common Share	0.32	(0.24)
Net Earnings (Loss)	603	(329)

Basic Earnings (Loss) Per Common Share (a)	0.34	(0.22)
Diluted Earnings (Loss) Per Common Share (a)	0.34	(0.22)
Market Price Per Share-High	54.80	45.79
Market Price Per Share-Low	47.83	39.16

Fourth Quarter

Continuing Operations:

Net Sales	$ 7,589	$ 5,333
Gross Profit	3,766	2,900
Earnings (Loss) from Continuing Operations	(864)	765
Basic Earnings (Loss) per Common Share	(0.50)	0.51
Diluted Earnings (Loss) per Common Share	(0.50)	0.51
Net Earnings (Loss)	(828)	798
Basic Earnings (Loss) Per Common Share (a)	(0.48)	0.54
Diluted Earnings (Loss) Per Common Share (a)	(0.48)	0.53
Market Price Per Share-High	57.77	43.78
Market Price Per Share-Low	53.20	37.38

(a) The sum of the four quarters of earnings per share for 2017 and 2016 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2017. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As allowed by SEC guidance, management excluded from its assessment the October 2017 acquisition of Alere Inc. which accounted for approximately 13% of Abbott's total assets and 2% of Abbott's total net sales from continuing operations as of and for the year ended December 31, 2017. Based on our assessment, we believe that, as of December 31, 2017, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 96.

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

Brian B. Yoor
Executive Vice President, Finance and Chief Financial Officer

Robert E. Funck
Vice President, Controller

February 16, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on Internal Control over Financial Reporting

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

As indicated in the accompanying Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Alere Inc., which is included in the 2017 consolidated financial statements of the Company and constituted approximately 13% of total assets at December 31, 2017 and 2% of total net sales from continuing operations for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Alere Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2017, and the related notes of the Company and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 16, 2018

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Miles D. White, and the Chief Financial Officer, Brian B. Yoor, evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 94 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 96 hereof.

Changes in internal control over financial reporting. On October 3, 2017, Abbott completed the acquisition of Alere Inc. During the quarter ended December 31, 2017, there were no other changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2018 Abbott Laboratories Proxy Statement. The 2018 Proxy Statement will be filed on or about March 16, 2018. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 16 through 19 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website (*www.abbottinvestor.com*). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2018 Proxy Statement under the headings "2017 Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2018 Proxy Statement will be filed on or about March 16, 2018.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*.

The following table presents information as of December 31, 2017 about our compensation plans under which Abbott common shares have been authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities

			reflected in column (a))
Equity compensation plans approved by security holders (1)	30,913,341	$ 42.69	183,546,308
Equity compensation plans not approved by security holders	0	—	0
Total (1)(2)	30,913,341	$ 42.69	183,546,308

(1) (i) *Abbott Laboratories 1996 Incentive Stock Program*. Benefits under the 1996 Program include stock options intended to qualify for special tax treatment under Section 422 of the Internal Revenue Code, stock options that do not qualify for that special tax treatment ("non-qualified stock options"), restricted stock, restricted stock units, stock appreciation rights, performance awards, and foreign qualified benefits. The shares that remain available for issuance under the 1996 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards may be satisfied only from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 1996 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program"). If shares are issued under any benefit under the 1996 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 1996 Program.

In April 2009, the 1996 Program was replaced by the 2009 Program. No further awards will be granted under the 1996 Program.

(ii) *Abbott Laboratories 2009 Incentive Stock Program*. Benefits under the 2009 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

(iii) *Abbott Laboratories 2017 Incentive Stock Program*. Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

(iv) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees*. Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2017, an aggregate of 14,877,472 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

(2) Not included in the table:

(i) *Advanced Medical Optics, Inc. Plan*. In 2009, in connection with its acquisition of Advanced Medical Optics, Inc., Abbott assumed options outstanding under the AMO's 2004 Stock Incentive Plan, as amended and restated. As of December 31, 2017, 10,227 options remained outstanding under this plan. These options have a weighted average purchase price of $26.87. No further awards will be granted under the plan.

(ii) *St. Jude Medical, Inc. Plans*. In 2017, in connection with the acquisition of St. Jude Medical, Inc., Abbott assumed options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014). As of December 31, 2017, 4,890,232 options remained outstanding under these plans. These options have a weighted average purchase price of $30.42. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 1996 Incentive Stock Program, the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 9 entitled "Incentive Stock Program" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" and "Information Concerning Security Ownership" in the 2018 Proxy Statement. The 2018 Proxy Statement will be filed on or about March 16, 2018.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2018 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2018 Proxy Statement will be filed on or about March 16, 2018.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2018 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2018 Proxy Statement will be filed on or about March 16, 2018.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 49 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 of Abbott Laboratories:

Abbott Laboratories Financial Statement Schedules	**Page No.**
Valuation and Qualifying Accounts (Schedule II)	106
Schedules I, III, IV, and V are not submitted because they are not applicable or not required	
Report of Independent Registered Public Accounting Firm	107
Individual Financial Statements of businesses acquired by the registrant have been omitted pursuant to Rule 3.05 of Regulation S-X	

(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 108 through 117 of this Form 10-K.

(b) Exhibits filed (see Exhibit Index on pages 108 *through* 117*).*

(c) Financial Statement Schedule filed (page 106*).*

ITEM 16. FORM 10-K SUMMARY

None.

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

/s/ MILES D. WHITE

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

Date: February 16, 2018

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 16, 2018 in the capacities indicated below.

/s/ MILES D. WHITE	/s/ BRIAN B. YOOR
Miles D. White Chairman of the Board, Chief Executive Officer and Director of Abbott Laboratories (principal executive officer)	Brian B. Yoor Executive Vice President, Finance and Chief Financial Officer (principal financial officer)
/s/ ROBERT E. FUNCK	
Robert E. Funck Vice President and Controller (principal accounting officer)	
/s/ ROBERT J. ALPERN, M.D.	/s/ ROXANNE S. AUSTIN
Robert J. Alpern, M.D. Director of Abbott Laboratories	Roxanne S. Austin Director of Abbott Laboratories
/s/ SALLY E. BLOUNT, PH.D.	/s/ EDWARD M. LIDDY
Sally E. Blount, Ph.D. Director of Abbott Laboratories	Edward M. Liddy Director of Abbott Laboratories
/s/ NANCY MCKINSTRY	/s/ PHEBE N. NOVAKOVIC
Nancy McKinstry Director of Abbott Laboratories	Phebe N. Novakovic Director of Abbott Laboratories

/s/ WILLIAM A. OSBORN	/s/ SAMUEL C. SCOTT III
William A. Osborn Director of Abbott Laboratories	Samuel C. Scott III Director of Abbott Laboratories
/s/ DANIEL J. STARKS	/s/ JOHN G. STRATTON
Daniel J. Starks Director of Abbott Laboratories	John G. Stratton Director of Abbott Laboratories
/s/ GLENN F. TILTON	
Glenn F. Tilton Director of Abbott Laboratories	

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2017	$ 250	$ 105	$ (61)	$ 294
2016	337	92	(179)	250
2015	310	225	(198)	337

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Abbott Laboratories

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, and have issued our report thereon dated February 16, 2018 (included elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K. In our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

Basis for Opinion

This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule based on our audits. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

Chicago, Illinois
February 16, 2018

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT
FORM 10-K
2017

10-K Exhibit Table Item No.	
2.1	*Agreement and Plan of Merger dated as of January 30, 2016, among Alere Inc. and Abbott Laboratories, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated January 30, 2016.
2.2	*Amendment to Agreement and Plan of Merger, dated as of April 13, 2017, among Alere Inc., Abbott Laboratories and Angel Sub, Inc., filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 14, 2017.
2.3	*Agreement and Plan of Merger, dated as of April 27, 2016, by and among Abbott Laboratories, St. Jude Medical, Inc., Vault Merger Sub, Inc. and Vault Merger Sub, LLC, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 27, 2016.
2.4	*Stock Purchase Agreement, dated as of September 14, 2016, by and between Abbott Laboratories and Chace LLC and, solely for certain purposes, Johnson & Johnson, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated September 14, 2016.

Certain schedules and exhibits have been omitted from these filings pursuant to Item 601(b)(2) of Regulation S-K. Abbott will furnish supplemental copies of any such schedules or exhibits to the U.S. Securities and Exchange Commission upon request.

3.1	*Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
3.2	*By-Laws of Abbott Laboratories, as amended and restated effective June 29,

	2017, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated June 29, 2017.
4.1	*Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
4.2	*Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
4.3	*Form of $1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.4	*Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
4.5	*Form of $2,000,000,000 5.125% Note due 2019, filed as Exhibit 99.4 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.

10-K Exhibit Table Item No.	
4.6	*Form of $1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.7	*Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
4.8	*Form of 2020 Note, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.9	*Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.10	*Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
4.11	*Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.12	*Form of 2.000% Note due 2020, filed as Exhibit 99.4 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.13	*Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.14	*Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.15	*Actions of the Authorized Officers with respect to Abbott's 2.000% Notes,

	2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
4.16	*Form of 2.350% Notes due 2019, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.17	*Form of 2.900% Notes due 2021, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.18	*Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.19	*Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.20	*Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.21	*Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
4.22	*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2017 Annual Report on Form 10-K.

10-K Exhibit Table Item No.	
4.23	*Form of 2.000% Notes due 2018, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.24	*Form of 2.800% Notes due 2020, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.25	*Form of 3.25% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.26	*Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.27	*Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.
4.28	*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.
4.29	†Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.
4.30	†Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
4.31	†Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National

	Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
4.32	†Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.

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	Abbott Laboratories Deferred Compensation Plan, as amended.**
10.3	*Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.4	*Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.	
10.5	*1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.6	*1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.7	*Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**
10.8	*Abbott Laboratories 1996 Incentive Stock Program, as amended and restated through the 6th Amendment February 20, 2009, filed as Exhibit 10.11 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.**
10.9	*Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**
10.10	*Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017)
10.11	*Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.12	*Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**
10.13	*Form of Employee Stock Option Agreement for a new Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on

	or after February 18, 2005, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**
10.14	*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2006.**
10.15	*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 20, 2009, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated February 20, 2009.**
10.16	*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.17	*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.18	*Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.**
10.19	*Form of Restricted Stock Unit Agreement (ratably vested), filed as Exhibit 10.37 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.20	*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested), filed as Exhibit 10.38 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.	
10.21	*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based), filed as Exhibit 10.39 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.22	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.23	*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based), filed as Exhibit 10.41 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.24	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.25	*Form of Restricted Stock Unit Agreement (cliff vested), filed as Exhibit 10.43 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.26	*Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.27	*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested), filed as Exhibit 10.45 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.28	*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.29	*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10.30	*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.31	*Form of Restricted Stock Unit Agreement for Participants in France, filed as Exhibit 10.49 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.32	*Form of Restricted Stock Agreement (ratably vested), filed as Exhibit 10.50 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.33	*Form of Restricted Stock Agreement for executive officers (ratably vested), filed as Exhibit 10.51 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.34	*Form of Performance Restricted Stock Agreement (annual performance based), filed as Exhibit 10.52 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.35	*Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.36	*Form of Performance Restricted Stock Agreement (interim performance based), filed as Exhibit 10.54 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.37	*Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10-K Exhibit Table Item No.	
10.38	*Form of Restricted Stock Agreement (cliff vested), filed as Exhibit 10.56 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.39	*Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.40	*Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.41	*Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.42	*Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.43	*Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.44	*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.45	*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.46	*Form of UK Option Award Agreement, filed as Exhibit 10.66 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**
10.47	*Form of UK Option Award Agreement for executive officers, filed as Exhibit 10.67 to the 2013 Abbott Laboratories Annual Report on Form 10-K.**

10.48	*Form of Restricted Stock Unit Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.49	*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.50	*Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.51	*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.52	*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.53	*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.	
10.54	*Form of Restricted Stock Agreement (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.55	*Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.56	*Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.57	*Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.58	*Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.59	*Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.60	*Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.61	*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10.62	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.63	*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.64	*Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.65	*Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.66	*Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.67	*Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**

10-K Exhibit Table Item No.	
10.68	*Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.69	*Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.70	*Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.71	*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.72	*Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.73	*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017.**
10.74	*Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.**
10.75	*Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2018, filed as Exhibit 10.49 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**

10.76	*Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.**
10.77	*2004 Stock Incentive Plan, as amended and restated, filed as Exhibit 4.5 to the Abbott Laboratories Registration Statement on Form S-8 dated March 20, 2009.**
10.78	†St. Jude Medical, Inc. 2016 Stock Incentive Plan, filed as Exhibit 10.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated October 27, 2016.**
10.79	†St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.**
10.80	†Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.**

10-K Exhibit Table Item No.	
10.81	†Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.82	†Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.**
10.83	Management Savings Plan, as amended and restated.**
10.84	*Retention Agreement by and between Mr. Michael T. Rousseau and Abbott Laboratories, dated July 22, 2016, filed as Exhibit 10.59 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.85	*Retention Agreement by and between Eric S. Fain and Abbott Laboratories, dated July 27, 2016, filed as Exhibit 10.60 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**
10.86	*120-Day Bridge Term Loan Agreement, dated as of December 13, 2016, among Abbott Laboratories, the guarantors referred to therein, Bank of America, N.A., as administrative agent, and the other lenders party thereto, filed as Exhibit 10.61 to the 2016 Abbott Laboratories Annual Report on Form 10-K.
10.87	*Amended and Restated Term Loan Agreement, dated as of January 4, 2017, among St. Jude Medical, LLC, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, filed as Exhibit 10.62 to the 2016 Abbott Laboratories Annual Report on Form 10-K.
10.88	Term Loan Agreement, dated as of July 31, 2017, by and among Abbott, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent.

10.89	First Amendment to Term Loan Agreement, dated as of September 29, 2017, by and among Abbott, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent.
10.90	*Five Year Credit Agreement, dated as of July 10, 2014, by and among Abbott, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, filed as Exhibit 10.3 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended September 30, 2017.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Abbott Laboratories.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.

10-K Exhibit Table Item No.	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 16, 2018, formatted in XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.

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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.

† Incorporated herein by reference. Commission file number 1-12441.

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