

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
Taxes on Earnings from Continuing Operations	539	1,878	350
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.

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.

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

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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

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