

## 2017:

DEAR FELLOW SHAREHOLDER: Abbott is here to create value. We do so by helping the people who use our products achieve better health. And we do so by helping our shareholders achieve financial growth. 2017 was an outstanding year for our company in both respects.

**FOCUS ON THE FUTURE** The way we consistently create and deliver that value is by keeping our focus squarely on the future. This year marks our company's 130th anniversary. But our view is that we're only as old as our last year – that Abbott is a perpetually new company with a long legacy of success that informs where we go next and how we get there. That's a powerful combination: the experience of a company that's succeeded for generations, and the ambition and energy of a new company with fresh opportunities. We work very deliberately to ensure that Abbott remains always relevant and current to the people we serve and to the changes taking place in our environment. To that end, we continually shape the company, strategically choosing the businesses in which we compete, the areas of research in which we invest, and the geographies in which we build, to achieve the optimal configuration for success.

2017 was a watershed year in the shaping of our business for its next great era. The most conspicuous steps in this process were two major acquisitions that will be powerful drivers of our future. The first of these was St. Jude Medical, the addition of which made Abbott a leading medical-device innovator. Second was Alere Inc., a leader in rapid-testing technologies. St. Jude and Alere both enhance our strength and presence in key businesses. We've long been a major global player in Diagnostics; Alere strengthens us in one of the few areas in which we weren't already a leader. St. Jude, on the other hand, makes us a premier company across the spectrum of cardiac care, where we'd previously had leadership only in certain focused areas. It also brings us into a very promising new field: Neuromodulation to treat chronic pain and movement disorders. We're now the market leader in non-opioid pain-relief technology, an area of high interest and immense potential. Equally important over time is how we strengthen the company organically, through our investment in research and development. 2017 was a year of great success and productivity for Abbott innovation, with an extraordinary number of major product launches and approvals across our businesses and around the world. We have never had a more robust new-product pipeline of life-changing technologies. While this is detailed throughout this report, I'll call out two examples of internal Abbott innovation that speak to our broad aims and capabilities. First is our FreeStyle Libre glucosemonitoring system. The FreeStyle Libre system is a leap-frogging technology, changing the way people have managed their diabetes for decades. And it clearly demonstrates our strategic approach in action: we entered this field through acquisition, creating Abbott Diabetes Care in 2004; then developed it – strategically and technologically – into the market leader it is today. The year's other standout example of Abbott innovation is our Alinity family of diagnostic systems. This is a project of

unprecedented scope and ambition in its market – a reinvention of the way the diagnostic lab works through a simultaneous reimaging of its component systems. What's particularly striking about this effort is that it comes in a legacy business in which Abbott has long been an established leader but, nonetheless, is executing a game-changing strategy through organic R&D.

**SHAPING SUCCESS** We continually build Abbott to achieve a carefully defined profile that we've found optimal for achieving consistently strong performance. We craft that competitive profile to ensure our company is structured on these purposefully cultivated core strengths:

- Balance** The diversity of Abbott's business portfolio not only expands our opportunities to more areas of healthcare, it's the key to our ability to deliver superior results. By managing a careful balance between diverse elements in our business mix, our customer base, and the markets we serve, we have more ways to win without being overly dependent on any single part of our business.
- Global Presence** Abbott has strong commercial, manufacturing, and R&D infrastructure throughout the world's largest and fastest-growing markets. And our marketing efforts have now brought Abbott's corporate identity to more than three billion people worldwide.
- Alignment** Abbott goes where significant health needs align with scientific opportunity in order to make the greatest impact for patients and, consequently, shareholders. Our ability to understand the needs of our customers allows us to move with the evolution of our markets.
- Leadership** Our intent is to be the leading company in the markets in which we compete. And we're fulfilling that objective, with #1 or #2 positions in virtually every market we serve.

**CREATING VALUE** The results of the steps we've taken bear out the strategies behind them. The amount of value Abbott has created – near- and long-term – is extraordinary. Our company performed very well in 2017, and the result was a stellar year for Abbott shares. Our stock grew almost 50 percent in 2017 – its best performance in 20 years – hitting more than 20 all-time highs along the way. Combined with dividends paid, this resulted in total shareholder return of 52 percent, the best in our fundamental peer group. And, for the long term, we've paid rising dividends for the past 46 consecutive years, keeping us a member of the S&P Dividend Aristocrats Index since its inception. We're able to create great value financially because we first do so in the lives of the people who use our products and for others whose lives we touch. In 2017, our efforts in global citizenship led us to be named to the Dow Jones Sustainability Indexes for the 13th consecutive year, the fifth in a row as the leader in our industry. As a result of this strong performance across our operations, Fortune magazine recently named us the Most Admired Company in our industry, also for the fifth consecutive year. 2017 was, then, a landmark year of building and putting the pieces in place for our next leap forward. In the years ahead we will capitalize on those investments and advancements. As this report makes clear, we are superbly positioned to do so. Thanks to our continual shaping of the company, Abbott is in a range of businesses, geographies, and technologies that will allow us to keep growing, evolving, and succeeding. With our eyes

always on the way ahead, our company is new again, for the 130th time, and readier than ever to create the ultimate value – in human lives improved and potential realized.

## 2016:

DEAR FELLOW SHAREHOLDER: ABBOTT REMAINS ONE OF THE WORLD'S MOST ENDURINGLY SUCCESSFUL COMPANIES BY COMBINING EXTRAORDINARY STABILITY WITH CONTINUAL, FOCUSED EVOLUTION. 2016 OPENED THE NEXT GREAT CHAPTER IN THAT ONGOING STORY OF INNOVATION AND GROWTH. SHAPING THE COMPANY

The fundamental question perpetually facing every company is, "What should we be?" Determining what fields to be in and what opportunities to pursue is the definitive task of business leadership. The hallmark of the past 18 years at Abbott has been an unwavering focus on this central question. We have continually shaped the company to make it stronger and more competitive in its evolving environment. 2016 was a landmark year in this regard. Our vision is fixed, clear, and ambitious: to make Abbott the world's leading healthcare company in the markets in which we compete — the company that sets the standard in innovation, impact, and performance. To this end, we shape the company to achieve maximum competitiveness. To us, that means building significant and leading positions in large and growing markets. Two major strategic decisions in 2016 embody our intent in action. The first was our decision to sell Abbott Medical Optics (AMO) to Johnson & Johnson. When we entered the vision business seven years ago, we expected AMO — which was a leader, both technologically and commercially, in the segments in which it competed — to be the foundation of just such a position for us. And the business performed very well as a part of Abbott, gaining share and operating profitably. However, we did not see the opportunity for Abbott to expand this business into the broadbased leader we would wish to be. This change, then, provides greater opportunity for our former vision business as it joins an established leader in the field. Abbott, on the other hand, will pursue another market that is more closely aligned with our longterm strategies. That market is cardiovascular care, and the pivotal opportunity is our acquisition of St. Jude Medical (SJM). With SJM, we now have exactly the kind of marketleading positions that we seek in all our businesses. This includes strong positions across virtually the entire spectrum of cardiovascular specialties, and number-one or number-two positions in many of these fields. Just as importantly, we now have one of the strongest new-product pipelines in the medical device industry. The addition of SJM caps an almost 20-year process through which we've very deliberately built one of the world's premier cardiac care businesses, as well as broad-based medical-device leadership. These mirror-image actions perfectly encapsulate our strategy: we compete where we can achieve the critical mass and innovation needed to have significant impact and achieve market leadership. BUILT TO COMPETE We're able to achieve such positions because our businesses are consciously built around a consistent core of competitive strengths:

**BALANCE** Our long-term stability is a direct function of the balance we work to construct and maintain between the various elements of our business. Diversity of our strengths and resources has been central to Abbott's strategy for decades. We work continually to achieve the optimal mix across multiple dimensions of our competitive profile. We don't allow the company to become overly indexed toward any single business segment, geography, technology, customer type, or channel. Well-balanced diversity not only mitigates risk — it gives us more ways to win. **PRESENCE** Being a leader in a global business requires being present, visible, and known around the world — to customers, investors, business partners, governments, and the general public. This is particularly critical in Established Pharmaceuticals (EPD), our branded-generics business, where presence is the strategy. Through a steady, focused shaping process, EPD is truly becoming the business we envisioned in its creation several years ago. Now focused exclusively on faster-growing emerging markets, and with strong presence in all relevant regions thanks to our acquisitions of CFR Pharmaceuticals and Veropharm, EPD is executing its model with great success, growing both sales and profits.

**RELEVANCE** This attribute goes back to that central question of "What do we want to be?" It's a matter of understanding and providing what's current, what's important, what people need and want — now and in the future. To be a leading healthcare company, we have to be where the needs are greatest. To that end, we've aligned our businesses with the demographic trends driving the future of healthcare and of the global economy.

**LEADERSHIP** Our other competitive advantages add up to this one. We enter businesses in order to lead them. The healthcare business is about excellence. A lower standard simply is not appropriate. The essence of the business is creating new technologies and solutions that are better than before and deliver increasing benefits in critical areas of people's health and lives. We pursue leadership in every aspect of our operations — from market position to financial performance to corporate citizenship. But nowhere is it more important than in the innovation that is always the heartbeat of our business. And our leadership in this regard is particularly robust, as we're enjoying a very good time for Abbott science. In 2016, Popular Science magazine, the world's largest science and technology publication, named two Abbott products — our FreeStyle Libre glucose-monitoring system and our Absorb bioresorbable stent — to its list of the year's 100 best inventions. And we're delivering a comparable level of innovation in our Alinity family of diagnostic systems. This is a program of unprecedented scope and ambition that advances our entire range of diagnostic technologies to offer greater efficiency, flexibility, and confidence to customers and health systems. It's a bold advance that embodies our approach to what we do — we aim to lead. **FINANCIAL PERFORMANCE** In 2016 these competitive strengths led us to another successful performance. Our sales grew 2.2 percent globally and were up 4.8 percent excluding the impact of foreign exchange. A dominant factor in recent years, exchange was less detrimental in 2016, though still a meaningful factor. We again raised our dividend — by approximately 7 percent — marking our 93rd consecutive year of

dividends paid and the 45th straight year they've increased. As a result, we maintained our position on the S&P 500 Dividend Aristocrats Index, a list of just 51 major companies that have raised dividends for at least 25 consecutive years. **L I F E . T O T H E F U L L E S T.** Our purpose as a company has been constant for almost 130 years now: to help people live their fullest lives through better health. Achieving that goal has required continual change and adaptation over those decades, following the advance of science and technology — and often leading it — to new knowledge and capability. Abbott has been an enduring company because we've never hesitated to be an evolutionary company. Changing times require changing practices. What remains unchanged is our commitment to bringing people the health innovations they need to live their best possible lives. To that end, we have again reshaped our company. Today's Abbott is built to deliver more and better healthcare solutions, to improve more lives around the world, and to strengthen our competitiveness and accelerate our growth. That's what a leading healthcare company does. And it's what we'll keep doing here at Abbott.

## 2015:

DEAR FELLOW SHAREHOLDER: MILES D. WHITE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER 2015 demonstrated our company's fundamental ability to execute. In a year characterized by heavy macroeconomic headwinds, we delivered strong underlying growth in the top tier of our peer group. **O U R O P E R A T I N G ENVIRONMENT** Abbott's response to those economic forces underscores the strength of our business, the unusual flexibility provided by our broad and wellbalanced business diversity, and our proven ability to navigate challenging waters. The primary factor in our business environment in 2015 was the strong U.S. dollar. This is, of course, not a new phenomenon and is one that will continue to be felt in 2016. While we've grown accustomed to this and know well how to manage for it, this effect was greater in 2015 than in the earlier years of this strong-dollar cycle. For instance, in 2013 the impact of exchange reduced our top line by 2.1 percent and by 2.5 percent in 2014. Last year its impact was 8.3 percent. Our business diversity, strong positions, and management acumen allowed us to manage this significant headwind. Another major current during 2015 was concern about emerging economies. While it's true that the growth of these markets has slowed, they continue to grow at double the rate of developed markets and, thus, still present by far the best growth opportunity in the world today. We have long experience managing through the ups and downs of international markets and we remain confident in their potential over the long term. The third major factor was price inflation in a record market for mergers and acquisitions. That we did no major new deals in 2015 in no way suggests that we are not as strategically attuned and ambitious as ever. We fully intend to continue building the company through focused, enhancing acquisitions, as we have continually over the past 17 years. We'll remain active and prudent — mindful of finding the right balance of

strategic fit, timing, and returns that will benefit shareholders over the long term. We believe we found just such an opportunity in our recent agreement to acquire Alere, the leader in point-of-care diagnostics.

**O U R F O R M U L A F O R S U C C E S S**

This was the environment we navigated in 2015 en route to delivering another successful year. We're able to do this year after year on the basis of foundational strengths that give us the ability to execute our strategies, adjust as necessary, and seize the opportunities we choose to pursue. As detailed in this report, our company is:

**BALANCED** Well-managed diversity has been our core strategy for many years, and we work hard to maintain it in all of the major dimensions of our business. This both offers us the widest range of opportunities and safeguards us from over reliance on any particular part of our business.

**Business Portfolio:** Abbott is composed of four large and strong core businesses: Nutrition, Diagnostics, Medical Devices and Established Pharmaceuticals. Together, they cover the entire spectrum of healthcare and people of all ages. This gives us the opportunity to participate in a broader range of technological and socioeconomic developments than other, more narrowly-focused companies.

**Markets:** We now derive half of our revenue from more developed economies and half from emerging markets, providing us a very effective combination of dynamism and stability.

**Customers:** Our business today is evenly divided between traditional healthcare payors and consumers. This provides balance between products that are obtained through third parties and those that customers are ready and willing to pay for themselves. In all these fundamental aspects of our business, then, we have access to new opportunities and the flexibility to pursue them, as well as protection from exposure to the fluctuations of single markets.

**GLOBAL** With our deep international experience, we're unfazed by passing market jitters over the state of individual economies or sectors. As always, we take the long view. We know that the currency winds will again eventually shift in our favor. And, more importantly, we believe in the long-term potential of today's emerging markets and the billions of people to whom they're bringing opportunity and access to healthcare. As we've proven in years past, we have the resources, the patience, and the ability to succeed in these markets under all circumstances, and to be there and ready with favorable positions and relationships when growth again accelerates.

**ALIGNED** In all of our businesses, Abbott is well positioned to address the most relevant needs and capture and build on emerging trends — technological or demographic, social or economic. We continually shape our business to ensure that it remains ready and able to provide what our customers need.

**LEADING** Abbott has long been a leader in many ways: in developing new technologies, in growing market-leading products, and in business practices from corporate governance to human resources to global citizenship. What all of these come down to is competitiveness — the desire to be the best. That drive has motivated this enterprise since it was just Dr. Abbott making new and better medications by hand. That's how we've delivered the second highest total shareholder return of all the companies on the S&P 500 Index since it assumed its modern form in 1957. And we've achieved a new level of competitiveness over the past

three years as we've reshaped the company. We're now leaner and more efficient.

**ALIGNING ITS PORTFOLIO WITH SPECIFIC MARKET NEEDS AND PROVIDING SHAREHOLDERS WITH RELIABLE GROWTH AND INCOME.** Advancing Science Abbott is investing in innovation that addresses some of the world's most pressing medical needs

**Navigating Risk** A broad portfolio and global presence help reduce the impact of challenges in any one market segment or geographic region

**Focusing on Growth Opportunities** We're growing our presence in markets where the opportunities and needs are high and our experience and expertise are paving the way

**Meeting Local Needs** We are globally aligned and locally driven to address the specific health challenges of the communities in which we live and work.

**"WE'VE ACHIEVED A NEW LEVEL OF COMPETITIVENESS OVER THE PAST THREE YEARS AS WE'VE RESHAPED THE COMPANY."**

**10-YEAR SHAREHOLDER VALUE CREATION** Shareholders who have owned Abbott since the end of 2005 have seen a 212% increase in the value of their investment, more than double the performance of the S&P 500 and almost twice that of the Dow Jones Industrial index.

than we've been in decades, resulting in the improved margins that have allowed us to deliver our strong results despite today's economic headwinds.

**FINANCIAL PERFORMANCE** Our 2015 sales growth was 9 percent globally, excluding the impact of exchange. Due to our sharpened competitiveness, these sales produced adjusted earnings-per-share growth of 9 percent. We again raised our dividend, by more than 8 percent. This marks the 92nd consecutive year in which we've paid a dividend, and the 44th consecutive year that dividends have risen, maintaining our longstanding position on the S&P 500 Dividend Aristocrats Index.

**LIFE . TO THE FULLEST .** What we saw in 2015, then, was a textbook Abbott performance. In navigating a challenging global environment, Abbott displayed the experience and know-how of a longstanding, long-term company, and the forward-looking ambition of a company that keeps itself young through a relentless focus on providing its customers what they need today and want for tomorrow. That customer focus drives an important new dimension for Abbott: building our corporate brand identity. In 2015 we conducted our first-ever corporate consumer awareness campaign. Through this highly successful effort, almost a billion people around the world have learned more about our company and how it helps people live the best and healthiest lives they can. That's what Abbott is here for. We demonstrated this again in 2015 by introducing new healthcare products and bringing them to more people around the world than ever before. By running our company in a thoughtful and responsible way we were named to the Dow-Jones Sustainability Indexes, the world's top recognition for leadership in responsible economic, environmental, and social performance, for the 11th consecutive year. Taken as a whole, our performance, across the breadth of the company's activities, led investors and peer companies to name us our industry's Most Admired Company in Fortune magazine's annual ranking for the third year in a row. We intend to not just maintain, but to improve this high level of performance. Because, at Abbott, our work is too important to do it any other way.