

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.