2009 Annual Report

Abbott

A Promise for Life

On the cover: Ritsuko Mamiya • Fukuoka, Japan

Ritsuko Mamiya is one of the many patients who take *Humira* to reduce symptoms of rheumatoid arthritis (RA). *Humira* is now approved for three autoimmune disease indications in Japan, including RA, moderate to severe chronic plaque psoriasis and psoriatic arthritis.

Abbott is a global, diversified health care company devoted to the discovery, development, manufacture and marketing of pharmaceuticals, nutritional products for children and adults, and medical products, including devices, diagnostic tests and instruments. The company employs approximately 83,000 people and markets its products worldwide.

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

Dear Fellow Shareholder: Abbott delivered another year of industry-leading performance in 2009, finishing the year with double-digit earnings growth, as well as strong sales growth across many of our businesses. We managed through several significant challenges, and exceeded our strategic and financial goals. In many ways, 2009 was a year in which Abbott's investment identity was further solidified as a durable, sustainable growth company – one that investors can depend on year in and year out. In short, it was another good year for Abbott.

Letter to our shareholders

In 2009, we managed through two challenges that faced every multinational company — the impact of the global recession and currency fluctuations. In addition, *Depakote* sales were impacted by nearly $1 billion due to generic competition. We exceeded our expectations despite these events, delivering double-digit earnings growth.

This past year also demonstrated the balance within our diverse mix of businesses and the strength of our financial position. We generated record operating cash flow of more than $7 billion. And, we returned nearly $2.5 billion to shareholders in the form of dividends, reflecting an 11 percent increase and representing the 37th consecutive year of Abbott dividend increases.

Our return of cash to shareholders through dividends, together with Abbott's stock price appreciation, has generated a total shareholder return of 20 percent over the last three years — compared to a decline of 16 percent for the Standard & Poor's Index (S&P 500) over the same time period. Our five-year total shareholder return of 32 percent was 30 percentage points higher than the return of the S&P 500, which delivered 2 percent.

To sustain this level of performance going forward, last year we took strategic actions to augment and re-shape our business portfolio for the long term, adding early- and late-stage pipeline technologies, as well as new growth platforms.

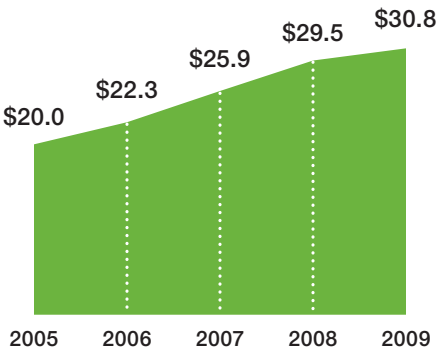
This includes the addition of Solvay Pharmaceuticals, which expands our footprint in Eastern Europe and emerging markets, adding approximately $2.9 billion in annual sales of stable, global pharmaceutical brands. With Solvay, we expect to more than double our overall presence in emerging markets. Solvay also adds approximately $500 million of incremental R&D investment capacity. We plan to use this funding power to drive future pharmaceutical growth. The addition of Solvay is significantly accretive to Abbott's ongoing earnings-per-share in 2010 and beyond.

We further broadened our medical products business early in 2009 by entering the vision care market with Advanced Medical Optics. We augmented this business later in the year with Visiogen, adding a new and promising late-stage pipeline technology. The vision care market is a sustainable, long-term growth platform, and Abbott is now a leader in LASIK and cataract technologies. Cataracts are the leading cause of vision loss among people 55 years and older, and the need for vision correction is rising as the global population ages.

In our vascular business, we entered the fast-paced sector of structural heart repair with the acquisition of Evalve and its pioneering technology for the minimally invasive treatment of mitral regurgitation, the result of a structural heart defect. In molecular diagnostics, we added Ibis Biosciences, a leader in advanced molecular diagnostics. Its biosensor technology helped detect the earliest cases of the 2009 H1N1 flu virus, and was recognized with top innovation awards from both *The Wall Street Journal* and *The Scientist* magazine.

Net Sales Worldwide*

(dollars in billions)

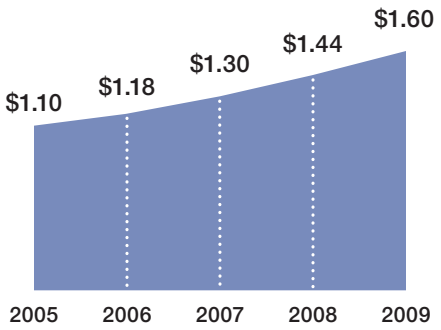


In 2009, Abbott sales performance included double-digit operational sales growth in its international pharmaceuticals, global nutritionals and global vascular businesses.

* Sales excluding Boehringer Ingelheim products. For sales including these products, see page 70.

37 Years of Increasing Dividends

(dollars per share declared)



In 2009, Abbott increased its dividend by 11 percent, resulting in its 37th year of dividend increases. Abbott is one of only a handful of U.S. companies that has increased its dividend this consistently over so many years. Abbott has paid 344 consecutive quarterly dividends since 1924.

Letter to our shareholders

These actions have enriched our mix of businesses for the near and long term. Over the past decade, we've built leading positions in a broad range of high-growth, technology-driven markets. We've also continued to invest in R&D, spending $2.7 billion across our pipeline programs to sustain our performance over the long term.

Pharmaceuticals

In our global pharmaceuticals business, we continued to make progress, both commercially and in our pipeline.

Across our pharmaceutical pipeline, we have a balance of near-term, lower-risk opportunities, as well as earlier-stage biologics and small molecules with real potential to change how diseases are treated. We expanded our early-stage pipeline with the addition of two new biologics — one for the treatment of chronic pain and the other for the treatment of cancerous tumors. These complement our existing development programs, including neuroscience, where we recently advanced two compounds for Alzheimer's disease; oncology, where we have two compounds in advanced clinical trials and several others in earlier stages; hepatitis C, where we're building on our foundational work in HIV; and immunology, where we have next-generation work in biologics and small molecules.

Commercially, our international pharmaceutical operational sales grew at a strong pace in 2009, and we also improved our global pharmaceutical operating profits despite the impact of generic *Depakote*. *Humira* had another great year, with operational sales growth of more than 20 percent worldwide and more than 40 percent internationally over 2008. We expect *Humira's* strong growth to continue as penetration rates in key therapeutic areas remain low, particularly outside the United States.

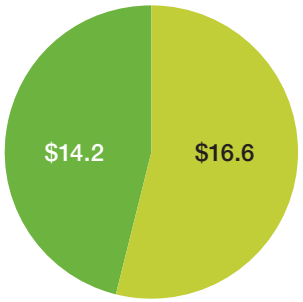
In 2009, we also saw steady share gains in one of the largest pharmaceutical markets: lipid management. We successfully launched *Trilipix*, our next-generation fenofibrate medicine focused on reducing triglycerides. And, *Niaspan* remains the number-one prescribed therapy for raising HDL or "good cholesterol." Certriad, our late-stage pipeline compound combining AstraZeneca's Crestor with Abbott's *Trilipix*, is intended to address all three lipid parameters — LDL, HDL, and triglycerides — and is expected to be approved in the United States in the first half of 2010.

Nutritional Products and Medical Products

In our global nutrition business, growth remains strong. We expect to maintain double-digit sales growth internationally as we further expand our presence in emerging markets and bring new, innovative products to consumers and patients around the world. Of particular note is the renewed growth of our nutrition business in the United States, where we launched more than 25 new formulations, product lines and packaging improvements in 2009. And, we have extended our market leadership in infant formula with the strength of *Similac Advance EarlyShield*. We now have the greatest market share advantage over the competition in a decade.

2009 Sales by Geography

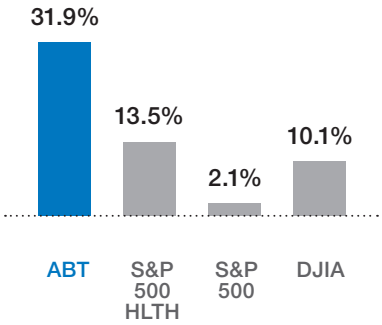
(dollars in billions)



- U.S. Sales
- International Sales

5-Year Total Return

(as of December 31, 2009)



Abbott's total return, which accounts for stock price appreciation and dividends, has outperformed the Dow Jones Industrial Average, as well as the S&P 500 and S&P 500 Health Care indices over the last five years.

Letter to our shareholders

In our global medical products business, it was a breakout year for Abbott Vascular, led by the outstanding performance of our *Xience V* drug-eluting stent (DES). We are the world's leading manufacturer of coronary stents and guide wires for use in opening blocked or narrowed arteries.

Xience V continued to be the number one DES on the U.S. market in 2009. In Europe, last year, we launched our next-generation DES, *Xience Prime*. Its success has bolstered Abbott's market-leading position in Europe. In February 2010, we launched *Xience V* in Japan, which is off to a strong start. Japan is the world's second-largest DES market, and represents a new growth opportunity for Abbott in 2010 and beyond. The success of *Xience* also has contributed significantly to this division's operating profits, which more than doubled from 2008. We expect continued steady profit improvement in vascular again this year and over the next several years, as well.

Our vascular business also has the most robust pipeline in the industry. We expect to launch 10 new technologies over the next five years. Our bioabsorbable DES, which we believe represents the future of coronary artery disease treatment — is at least three years ahead of competitors. Evalve's minimally invasive *MitraClip* device is on the market in Europe and is under FDA review in the United States. The only current surgical alternative for patients is invasive, open-heart surgery.

For diagnostics, 2009 was one of our best years in a decade. Our core laboratory diagnostics business remains a global leader. We launched new products in 2009, including a number of new instruments and assays. Most importantly, after a thorough rebuilding process, this business has improved its profitability significantly.

Fit for the Future

So, it was, again, a year of strong performance across our major businesses. Our strategy has been strongly endorsed by a decade of superior growth and top-tier performance versus our peers. That strategy positions us well to navigate the challenges of our operating environment.

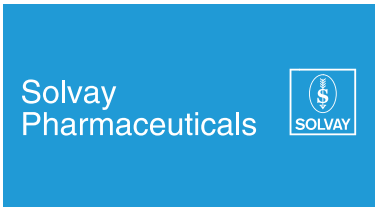
As we look back on 2009, we met our major strategic and financial goals and invested in new opportunities that will help us achieve consistent performance in the coming years.

As we enter 2010, we have very good visibility on Abbott's future. We're fortunate to have a seasoned management team, we're pleased with our momentum, and we remain optimistic about the fundamental performance of our businesses. Our well-defined leadership positions across multiple growth areas, our significant cash flow, our well-diversified base of reliable earnings, and the proactive actions we've taken to augment our portfolio, all position us well for the foreseeable future. For 2010, we anticipate another year of strong growth.

Miles D. White

Chairman of the Board and Chief Executive Officer
March 3, 2010

Increasing Our Presence in Emerging Markets



With the acquisition of Solvay Pharmaceuticals, we enhanced our leading pharmaceuticals product line, bolstered our presence in key high-growth emerging markets and expanded our research and development investment capacity.

Adding to Our Late-Stage Medical Devices Pipeline

Abbott enhanced our late-stage medical devices pipeline with two targeted technology purchases. *Synchrony*, a next-generation accommodating intraocular lens (IOL), seeks to mimic the eye's natural ability to change focus and deliver improved vision at all distances for patients following cataract surgery. The *MitraClip* system is designed to repair a patient's mitral valve without open-heart surgery.

Abbott's broad and leading portfolio of pharmaceuticals, nutritional products, medical devices and diagnostics serves patients today while meeting the needs of the next generation.

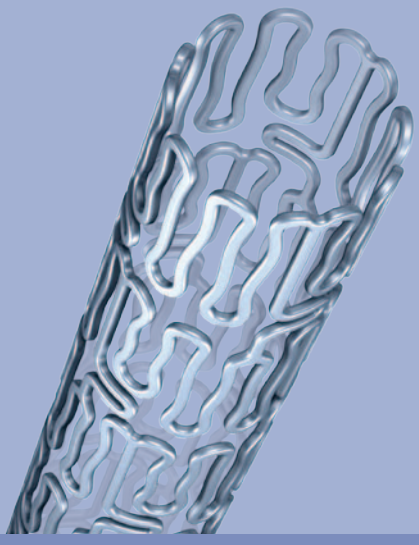
Arsyad bin Ashraf and his mother are pictured here. Arsyad drinks Abbott's *Isomil Plus Advance* to help meet his daily nutrition needs.

Kuala Lumpur, Malaysia.

Category leaders

Humira
A leading biologic therapy for multiple autoimmune diseases

Trilipix, Simcor, Niaspan, TriCor
A broad lipid line



Vascular Care
The world's leading manufacturer of coronary stents and guide wires

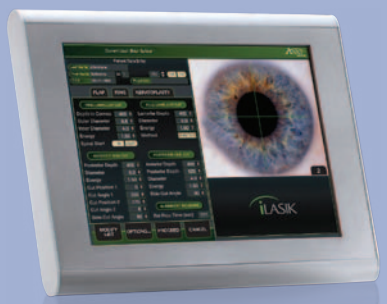
Abbott's diverse mix of market-leading products delivers important clinical benefits.

Similac
#1 infant formula in the United States

Diagnostics
#1 in blood screening and immunoassay diagnostics worldwide

Ensure and Glucerna
Leaders in adult nutrition

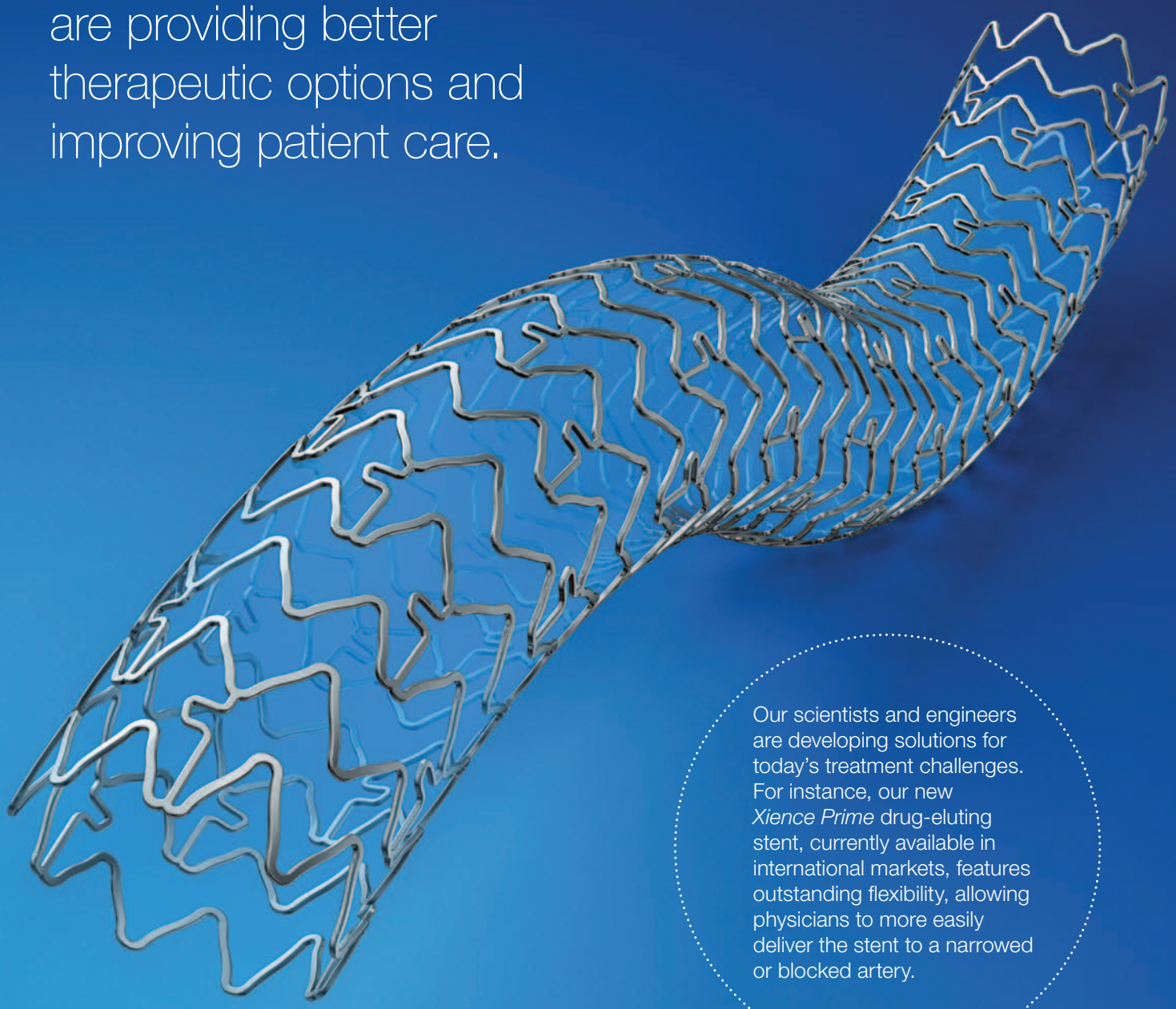
Synthroid
Most prescribed treatment for thyroid disease



Vision Care
A leader in ophthalmology

State of the art

Abbott's innovations are providing better therapeutic options and improving patient care.



Our scientists and engineers are developing solutions for today's treatment challenges. For instance, our new *Xience Prime* drug-eluting stent, currently available in international markets, features outstanding flexibility, allowing physicians to more easily deliver the stent to a narrowed or blocked artery.

Cardiovascular

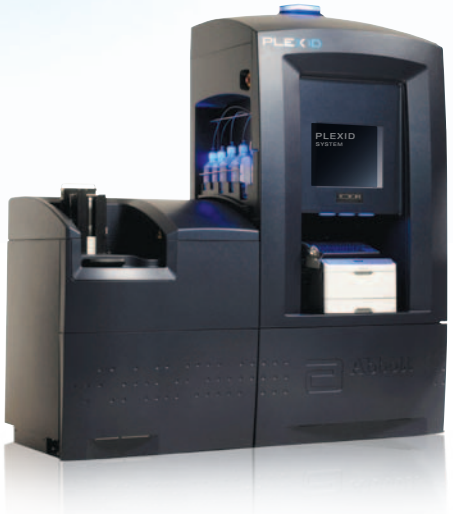
Abbott offers therapies that help manage abnormal cholesterol levels, as well as a number of products to diagnose and treat cardiovascular disease, including drug-eluting stents. We're also exploring new ways to repair structural problems of the heart. Our *MitraClip* technology pioneers a new field of medical care to treat patients who suffer from leaking mitral valves without the use of invasive and costly open-heart surgery.

Vascular Devices

Our vascular devices portfolio leads the industry with innovative products to treat coronary artery disease, including trusted stent brands *Xience V*, *Xience Prime* and *Multi-Link Vision*. Abbott also markets a broad portfolio of endovascular and coronary technologies, including balloons, guide wires and vessel closure devices.

Vision Care

Abbott markets a full line of intraocular lenses (IOLs), including its *Tecnis* line, which are used to restore a patient's vision following cataract surgery. Designed to mimic the eye's ability to accommodate (change focus), our next-generation accommodating IOL offers patients a broader range of vision. Available outside the United States, *Synchrony* is in U.S. clinical development.



Germ Detection

Abbott is changing the way viruses, bacteria, fungi and other microorganisms are identified in research labs. Within eight hours, the *PlexID* High-Throughput Bioidentification System has the potential to detect virtually all microorganisms in a given sample without requiring technicians to predict the testing outcome. Designed to alert health officials to new virus strains, it helped identify the earliest instances of the 2009 H1N1 flu virus in the United States.

High-growth emerging markets

In addition to greatly enhancing our European presence, Abbott's acquisition of Solvay Pharmaceuticals expands our reach in key emerging markets such as Russia, India and Brazil.

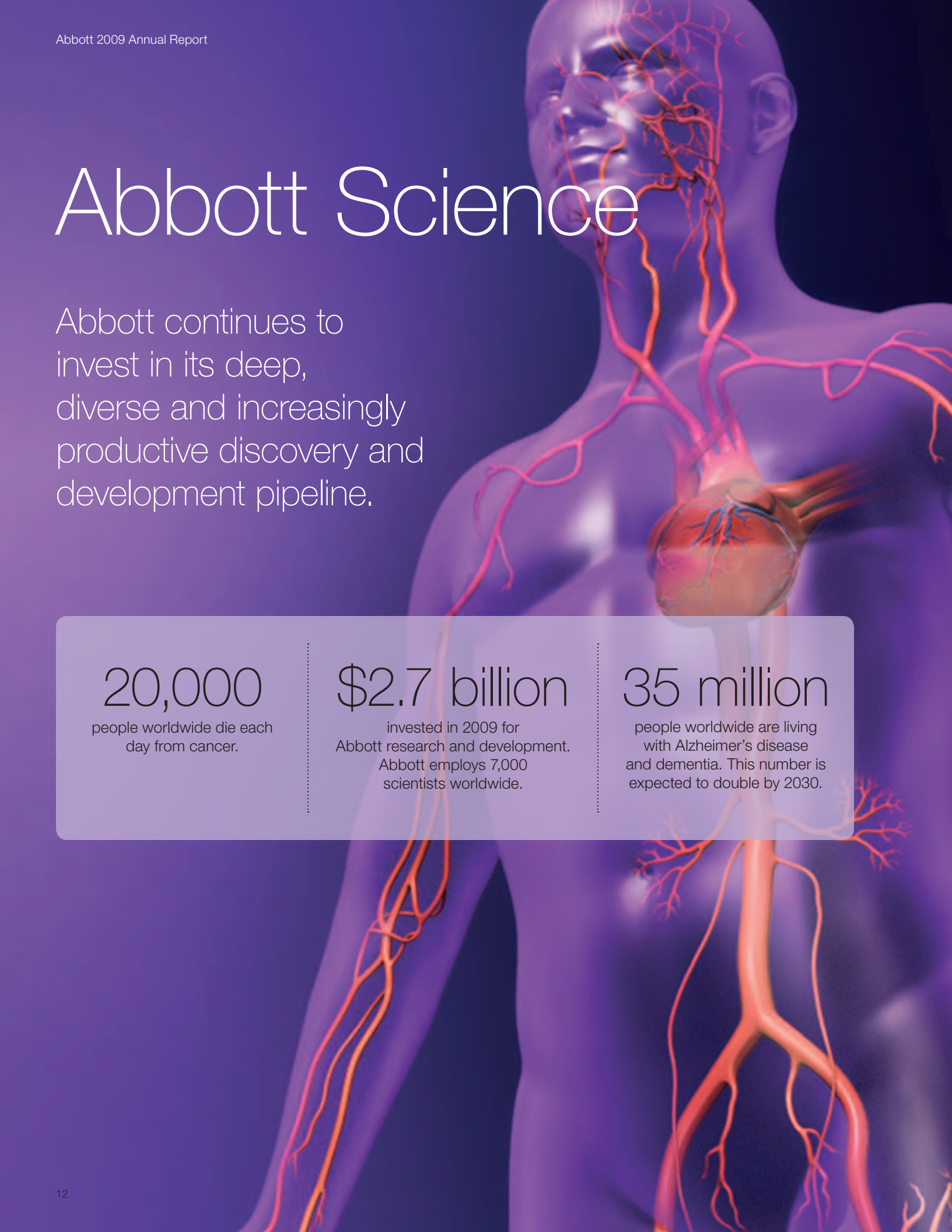
Emerging markets represent an important and fast-growing segment, estimated to comprise 40 percent of the world's gross domestic product over the next 10 years. Abbott expects to more than double its presence in emerging markets over the next five years.

Xience V recently was launched in China. Stenting procedures in the world's most populous country are growing 20 percent each year.

As personal incomes increase in China, Southeast Asia and Latin America, parents are seeking better nutrition for their children. Abbott's broad portfolio of high-quality nutritional products is well-positioned to meet this growing demand.

Abbott Science

Abbott continues to invest in its deep, diverse and increasingly productive discovery and development pipeline.



20,000
people worldwide die each day from cancer.

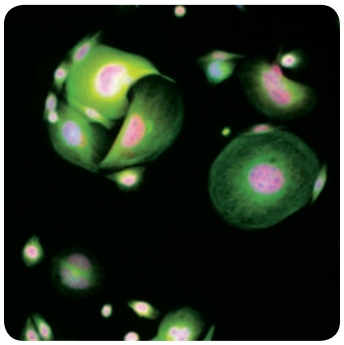
$2.7 billion
invested in 2009 for Abbott research and development. Abbott employs 7,000 scientists worldwide.

35 million
people worldwide are living with Alzheimer's disease and dementia. This number is expected to double by 2030.

Abbott Science

Oncology

Cancer is a leading cause of death worldwide. As the population ages, the urgent need for effective cancer treatments will continue to increase. Abbott is investing in cancer therapies that may change the way the disease behaves.



Colorectal cancer is just one area where Abbott is developing targeted, less-toxic treatments that inhibit tumor growth and improve response to common therapies.

▶ **Enhancing the effectiveness of cancer therapies**

Chemotherapies and radiation are designed to damage and destroy the DNA of cancerous tumor cells. However, tumor cells are often able to overcome this damage and repair themselves. PARP (Poly (ADP-ribose) polymerase) inhibitors interrupt the DNA repair process in tumor cells and may enhance the effectiveness of current cancer therapies. Abbott's PARP inhibitor is being studied in a variety of combination regimens and cancer types, including breast cancer, non-small cell lung cancer, metastatic melanoma and colorectal cancer.

▶ **"Flipping a switch" in cancer cells**

In order to survive, cancer cells disable their own self-destruct mechanism to multiply and spread. Our Bcl-2 family protein antagonist is the first in a new class of drugs that attack cancer cells in a fundamentally new way. Compared to conventional chemotherapy, it works by seeking to trigger a "switch" in cancer cells, causing them to die. Abbott is studying Bcl-2 inhibition in a variety of cancer types, including chronic lymphocytic leukemia and small cell lung cancer.

▶ **Cutting off the blood supply to tumors**

Cancer cells multiply rapidly. Our multitargeted kinase inhibitor seeks to cut off the blood supply to a tumor to stop the progression of cancer. The compound is in clinical trials for solid tumors such as liver cancer, colorectal cancer and non-small cell lung cancer.

Infectious Disease

The hepatitis C virus (HCV) affects approximately 180 million people worldwide. Abbott scientists are developing medicines that may increase cure rates, shorten treatment duration and improve tolerability.

The hepatitis C virus replicates within the body and can damage the liver. Approximately 50 percent of people who acquire HCV remain chronically infected.

▶ **Developing a best-in-class combination treatment for HCV**

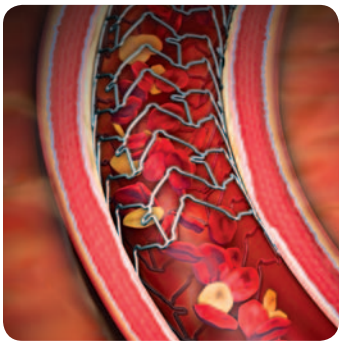
HCV can lead to long-term complications, including severe scarring of the liver, liver cancer or death. There is a great need for better tolerated treatments that will more consistently lead to a cure of the HCV infection. Abbott is conducting research in multiple therapeutic classes that block HCV viral replication with the ultimate goal of developing best-in-class treatments.

Our discovery and development of protease inhibitors for the treatment of HIV serves as a scientific foundation for our HCV research. Abbott currently has three HCV compounds in human trials, spanning multiple mechanisms of action, with additional compounds in pre-clinical development. Abbott is well positioned to explore combinations of these new therapies, a strategy with the potential to markedly transform current treatment practices by shortening therapy duration, improving tolerability and increasing cure rates.

Abbott Science

Cardiovascular

Coronary artery disease (CAD) is the most common form of heart disease and occurs when arteries that supply blood to the heart are narrowed by plaque. Abbott is developing new devices that address CAD and its related symptoms.



Drug-eluting stents, such as *Xience Prime*, prop open clogged arteries, improve blood flow and relieve symptoms, such as chest pain.

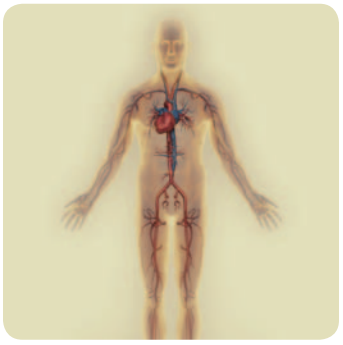
▶ **Next-generation DES: designed to promote faster healing**
Millions of drug-eluting stents (DES) are implanted each year. Abbott's *Xience Prime* DES capitalizes on the proven clinical benefits of *Xience V* and is designed to improve deliverability and access to long lesions. We're also working on an ultra-thin stent technology that seeks to promote faster healing and help physicians deliver the stent more easily to further reduce the risk of vessel injury.

▶ **Bioabsorbable stent: designed to heal then disappear**
Abbott's fully bioabsorbable drug-eluting stent currently in development does the job of a metallic DES — it improves blood flow to the heart. But unlike a metallic DES, it's absorbed into the vessel wall over time — much like sutures are absorbed after securing a wound. Abbott has the most advanced bioabsorbable clinical program in the industry, with an opportunity to reach the market years ahead of competitors.

▶ ***MitraClip* system: repairing the heart's mitral valve without invasive surgery**
Mitral regurgitation (MR) occurs when there is abnormal leaking of blood through the heart's mitral valve, which can lead to irregular heartbeats, heart failure and stroke that can cause serious complications, including death. Open-heart surgery is the current treatment for MR. The *MitraClip* system allows minimally invasive repair of the mitral valve to reduce MR. It's available in Europe and is under FDA review in the United States.

Immunology

Autoimmune diseases impact millions of people worldwide. A group of more than 80 chronic and often disabling illnesses, they develop when underlying defects in the immune system lead the body to attack its own organs, tissues and cells.



Autoimmune diseases can affect nearly every part of the body, from joints to skin to the gastrointestinal tract. Abbott is researching new ways to treat these conditions.

▶ **Building on *Humira***
With six approved autoimmune indications, *Humira* is a leading biologic therapy. Our scientific experience developing this first fully human recombinant monoclonal antibody serves as a strong foundation for our research in immunology. In addition to evaluating *Humira* for additional potential indications, we're researching a number of promising therapeutic platforms — both biologic and small-molecule — to address a wide range of conditions.

▶ **Opening new treatment possibilities with combination biologics**
While small molecules can be combined into one therapy, combining biologics that target multiple disease pathways has been a significant scientific challenge. Abbott scientists were the first to invent a new technology called *DVD-Ig* (dual-variable domain immunoglobulin). This technology could lead to combination biologics for complex conditions, such as cancer or autoimmune disorders, where multiple pathways are involved in the disease. The ultimate goal of *DVD-Ig* technology is to improve the efficacy of current biologic treatments.

Abbott Science

Neuroscience

Abbott has identified a number of histamine H3 antagonists that exhibit favorable pharmaceutical properties for treating Alzheimer's disease.

Abbott has an early-stage pipeline of innovative treatments for Alzheimer's disease, schizophrenia and chronic pain — conditions that impact millions of patients worldwide.

▶ Treating pain in new ways

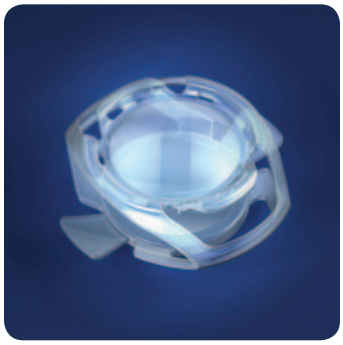
Chronic pain affects more than 70 million people in the United States and Europe and is the most common cause of long-term disability. It's estimated that up to 30 percent of patients receive inadequate pain relief with currently available therapies. New therapies are needed that combine efficacy with improved safety and tolerability. Abbott is pursuing a number of approaches in pain research across a broad spectrum of pain states.

In 2009, Abbott expanded its early-stage pain portfolio with an anti-Nerve Growth Factor (NGF) biologic for chronic pain. This compound seeks to inhibit NGF, which is believed to play a significant role in the transmission of pain. The mechanism has the potential to offer better efficacy and tolerability and require fewer doses than traditional pain medicines.

▶ Slowing the progression of Alzheimer's disease

Alzheimer's disease gradually destroys a person's memory and ability to learn, communicate and perform daily activities. While current therapies may help patients maintain cognitive abilities or control symptoms, they do not change the progression of the underlying disease. Abbott has a number of compounds targeting different therapeutic classes in early development.

Vision Care



Abbott is developing a next-generation accommodating intraocular lens (IOL) designed to deliver improved vision for patients following cataract surgery.

More than 15 million procedures are performed each year to remove cataracts, the world's leading cause of blindness. Abbott is developing next-generation lens technologies to deliver optimal vision to patients of all ages.

▶ Changing focus

Abbott markets a broad line of vision care products, including state-of-the-art lenses to improve vision following cataract surgery. Our innovative *Synchrony* accommodating IOL is designed to mimic the eye's natural ability to change focus, potentially eliminating the need for glasses or contact lenses. *Synchrony* is available internationally and is currently in clinical development in the United States.

▶ Cleaning lenses better

For the more than 100 million contact lens wearers worldwide, clear and clean lenses mean being free to actively pursue life's daily activities. Abbott is developing a next-generation multipurpose disinfecting solution designed to help contact lens wearers maintain optimal corneal health through state-of-the-art disinfection and all day comfort, in a single, convenient bottle.

Patient impact

Each year, Abbott products treat millions of patients around the world.

Vision Disorders

With aging populations worldwide, vision care is a growing and increasingly relevant area of patient need.

- Abbott is a leading provider of products and technologies for the treatment of cataracts.
- Abbott is the leader in refractive products, including advanced LASIK and other laser eye procedures.
- Abbott also markets *Blink Tears* to treat symptoms of chronic dry eye and the *Complete* contact lens solutions line.

3 million

LASIK procedures are performed each year on average worldwide. Abbott is the leader in LASIK surgery technology.

Dustin Hudock,
LASIK patient

2.5 million

patients are treated with Abbott products for managing cholesterol and triglycerides, which are potential risk factors for cardiovascular disease.

John Garcia,
Trilipix patient

Cardiovascular Disease

Cardiovascular disease takes the lives of an estimated 17 million people worldwide each year and is the leading cause of death in the United States.

- Abbott's broad portfolio of leading lipid management products helps manage abnormal cholesterol levels, raising HDL (good cholesterol) and lowering LDL (bad cholesterol) and triglycerides. Products include *Niaspan*, *Trilipix*, *TriCor* and *Simcor*.
- Abbott point-of-care and laboratory diagnostic instruments and tests support rapid diagnosis of, and appropriate treatment for, a heart attack.
- Abbott's *Xience V* and *Xience Prime* drug-eluting stents lead a strong portfolio of stent and related technologies that are used to open clogged arteries.

Cardiovascular disease, diabetes, autoimmune diseases and vision disorders are among the many chronic health conditions addressed by Abbott's broad and balanced portfolio. Abbott also markets leading products in anesthesia, anti-infectives, metabolic disorders, neuroscience, pediatric and neonatal medicine, renal care, urology and reproductive health, virology, pediatric and adult nutrition, diagnostics and animal health.

5 million

people were treated with Abbott glucose monitoring products in 2009.

Valentina Moreno,
Optium Xceed user

Diabetes

Currently affecting more than 220 million people worldwide, diabetes incidence is expected to increase rapidly over the next decade.

- Abbott is an established leader in glucose monitoring, with a full portfolio of innovative systems, including *FreeStyle*, *Precision* and *Optium* lines.
- Abbott's *i-STAT* and *Architect* systems feature various tests to diagnose diabetes and monitor glucose levels.
- Abbott was the first to offer a nutritional product specifically to help patients manage their diabetes: *Glucerna*.
- Abbott added new approvals for our *Xience Prime* and *Xience V* drug-eluting stents to treat patients with diabetes outside the United States.

Autoimmune Disease

Chronic autoimmune diseases affect millions of people worldwide. These 80 chronic illnesses occur in nearly every part of the body, from joints to skin to the gastrointestinal tract.

- Abbott markets a test that aids in the diagnosis of rheumatoid arthritis on its *Architect* immunochemistry system.
- Abbott's *Humira* is a leading biologic treatment for moderate to severe rheumatoid arthritis (RA).
- In addition to RA, *Humira* is approved for the treatment of ankylosing spondylitis, juvenile idiopathic arthritis (JIA), moderate to severe chronic plaque psoriasis, psoriatic arthritis and moderate to severe Crohn's disease.

425,000

patients take *Humira.*

Ritsuko Mamiya,
Humira patient

Pharmaceuticals

Abbott medicines treat some of the world's most serious and prevalent diseases, including rheumatoid arthritis, plaque psoriasis, Crohn's disease, lipid disorders, kidney disease, prostate cancer, thyroid disease and HIV.

Ritsuko Mamiya is one of the more than 5 million people worldwide with rheumatoid arthritis. Humira has helped reduce the joint pain and inflammation associated with her disease.

Ritsuko Mamiya
Humira
Fukuoka, Japan

After experiencing severe pain in her joints, Ritsuko Mamiya was diagnosed with rheumatoid arthritis. After her doctor determined she was a candidate, he prescribed *Humira* to reduce the symptoms of the disease and slow its progression. *Humira* has helped Ritsuko regain her normal lifestyle.

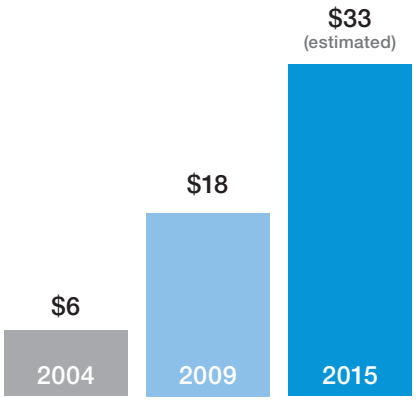
425,000
patients worldwide are treated with *Humira*, which is currently approved to treat six autoimmune diseases.

Humira is approved in
83
countries.

Growth Market: Japan

Humira is approved in Japan for the treatment of moderate to severe rheumatoid arthritis. In 2010, *Humira* was the first biologic in Japan approved for moderate to severe chronic plaque psoriasis and psoriatic arthritis and is awaiting approval for Crohn's disease.

Global Biologics Market Growth*
(dollars in billions)



*Global biologics market is comprised of moderate to severe rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, moderate to severe chronic plaque psoriasis, Crohn's disease and ulcerative colitis indications.

Pharmaceuticals — Year in Review

Pharmaceuticals Highlights:

- **Submitted fixed-dose combination cholesterol medication, Certriad, for U.S. FDA approval**
- **Diversified sources of growth with acquisition of Solvay Pharmaceuticals**
- **Received approval in Japan for *Humira* for plaque psoriasis and submitted it for Crohn's disease**

In 2009, we achieved several important milestones in our pharmaceuticals business. Abbott and AstraZeneca announced the FDA regulatory submission for Certriad, designed to provide comprehensive lipid management, targeting all three key lipids — HDL, LDL and triglycerides — in a single pill.

We recently acquired Solvay Pharmaceuticals, further diversifying our pharmaceuticals portfolio. The addition brings on-market products that complement our current offerings. It also bolsters our presence in key Eastern European and emerging markets and accelerates our investment in pharmaceutical research and development.

Immunology: broader access for Humira

Humira is Abbott's biologic for the treatment of six different autoimmune diseases: moderate to severe rheumatoid arthritis (RA) and moderate to severe polyarticular juvenile idiopathic arthritis (JIA), painful diseases that can lead to damage of the joints and hinder a patient's ability to perform daily activities; moderate to severe Crohn's disease, characterized by inflammation in the gastrointestinal tract; moderate to severe chronic plaque psoriasis, characterized by very dry, scaly and often irritating areas of skin; psoriatic arthritis, characterized by both arthritis and psoriatic skin disease; and, ankylosing spondylitis, an inflammation of the spine that can result in episodes of acute pain and physical limitation.

Tumor necrosis factor (TNF), a protein produced by the body, plays a role in the disease activity of each of these disorders. *Humira* is a fully human recombinant monoclonal antibody that blocks the negative effects of TNF, reducing the inflammation and some of the complications associated with these diseases.

In Japan, we submitted regulatory applications for *Humira* for the treatment of Crohn's disease and ankylosing spondylitis. And, in early 2010, *Humira* was the first biologic approved in Japan for the treatment of plaque psoriasis and psoriatic arthritis.

Humira is currently approved in 83 countries and treats approximately 425,000 patients worldwide. With the global penetration rates of biologics still low across indications, there continues to be significant potential for many more patients to benefit from treatment with *Humira.*

Trilipix

John Garcia
Miami, Florida

Despite the use of a statin and a healthier lifestyle, John Garcia was having trouble reducing his high triglyceride levels. His doctor prescribed *Trilipix* to help him improve his triglycerides. Today, his levels are in a healthier range.

Of the 34 million U.S. adults currently treated for lipid disorders

23 million

are still not reaching treatment goals.

1 in 3

U.S. adults has elevated triglyceride levels.

Pharmaceuticals — Year in Review

Lupron Depot

Joseph Guidry
Los Angeles, California

After being diagnosed with advanced prostate cancer, Joseph Guidry was prescribed *Lupron Depot*. *Lupron* suppresses testosterone to inhibit the growth of prostatic tumors, which in Joseph's case, means that he is able to manage his disease as he continues his casual California lifestyle.

Approximately
200,000
men are diagnosed with prostate cancer each year in the United States.

Abbott manufactures more than
3,500 products
that help diagnose hundreds of conditions, including prostate cancer.

Lipid management: building market leadership
Abbott's lipid management product portfolio addresses the three main lipid parameters that contribute to cardiovascular disease: high triglycerides, low HDL (good cholesterol) and high LDL (bad cholesterol). Abbott's cholesterol franchise includes a number of therapies including *Trilipix, TriCor, Niaspan* and *Simcor*.

Of the 34 million people treated for lipid disorders, approximately 23 million are not reaching recommended levels for all three parameters. The majority of patients are taking single therapies primarily focused on reducing LDL. Many patients may benefit from a combination treatment approach to help manage all three key lipid levels. Abbott is uniquely positioned to address the growing need for add-on or combination therapies — treatments that help patients achieve recommended lipid targets.

In 2009, Abbott and AstraZeneca submitted a regulatory application for Certriad, the fixed-dose combination of *Trilipix* and Crestor. The regulatory filing is supported by data from multiple studies of *Trilipix* used in combination with Crestor. In these large clinical trials, HDL and triglycerides were measured to study the potential impact of combination therapy.

Also in 2009, Abbott submitted an application with the FDA for 500/40 mg and 1000/40 mg dosage strengths of *Simcor*, a fixed-dose combination of *Niaspan* and simvastatin (generic Zocor) that addresses both HDL and LDL in a single pill. Abbott's *Niaspan* is a leading medication for boosting HDL.

Strengthening our global position: Solvay Pharmaceuticals
Abbott acquired Solvay Pharmaceuticals to expand our global infrastructure, further strengthen our position in emerging markets and enhance our pharmaceutical R&D investment.

Emerging markets are growing faster and increasing in importance due to evolving demographics, modernization of health systems, rising incomes and expanded treatment of chronic disease. With Solvay Pharmaceuticals, Abbott gained access to a broad Eastern European and emerging markets infrastructure, with significant presence in key markets such as Russia, India and Brazil.

Abbott also added several important new brands including *Creon,* for cystic fibrosis and chronic pancreatitis; *AndroGel,* a testosterone replacement therapy for men, and *Lipanthyl* for high triglycerides. Solvay Pharmaceuticals also provided an entry into the global vaccines market.

Abbott's pharmaceutical products also include: *Lupron Depot*, for the management of symptoms associated with advanced prostate cancer, endometriosis and precocious puberty; *Synthroid*, for the treatment of thyroid disease; *Norvir* and *Kaletra*, for the treatment of HIV; *Zemplar*, for chronic kidney disease; as well as a number of other brands marketed around the world.

Nutritional Products

Abbott offers some of the world's most trusted brands in pediatric nutrition, adult nutrition, therapeutic nutrition, performance nutrition and nutritious snack products. We also provide specially formulated medical nutrition products for patients with unique dietary needs due to illness or injury.

Arsyad bin Ashraf is one of the millions of children in Asia with a need for proper nutrition. Isomil Plus Advance helps Arsyad get the balanced nutrition he needs.

Arsyad bin Ashraf
Isomil Plus Advance Eye Q
Kuala Lumpur, Malaysia

Arsyad bin Ashraf is a busy four year old with a sensitivity to cow's milk. His mom likes *Isomil Plus Advance Eye Q* because it aids in his development without the stomach ache he gets from milk. *Isomil* is just one of many Abbott formulas that provides a complete, balanced source of nutrition for healthy growth.

17% Operational sales growth of Abbott's pediatric nutritional products outside the United States.

Growth Market: Southeast Asia

Like China, Southeast Asia is experiencing rapid population growth. Population changes, as well as increasing personal incomes, are driving the growing need for quality nutritional products.

Abbott's pediatric nutritional products feature nutrients that support brain and eye development, as well as provide important building blocks for a child's immune system.

Nutritional Products — Year in Review

Nutritional Products Highlights:

- **Global sales of $5.3 billion**
- **Advanced to #1 position in U.S. infant formula market**
- **Leader in adult nutritionals with *Ensure* and *Glucerna***
- **Fastest-growing nutrition company in international markets**

U.S. nutrition: expanding our product portfolio

We continue to deliver products that better meet the changing needs of consumers and health care professionals. Our *Similac Advance EarlyShield* infant formula has set a new standard in infant nutrition. Closer than ever to breast milk, *Similac Advance EarlyShield* has a unique blend of nucleotides, prebiotics and antioxidants to support a baby's natural immune system. Abbott has gained a significant market-share lead over its nearest competitor with the launch of *Similac Advance EarlyShield*.

Abbott's leading pediatric product portfolio also includes *Similac Sensitive* for babies with formula-tolerance issues; *Similac Go & Grow*, designed for older babies and toddlers; and *Similac Organic* formula. We also market *PediaSure*, a complete, balanced nutritional formula for toddlers and children, and *Pedialyte*, to replace fluids and electrolytes to help prevent dehydration.

Abbott is also dedicated to developing therapeutic nutritional products for people with special dietary needs. Our *Glucerna* products are specially formulated for people with diabetes and contain unique carbohydrate blends to help manage blood glucose.

As a leader in the adult nutrition and nutritious snacks segment, we market a number of products for active adults seeking convenient, balanced nutrition. Our *Ensure, ZonePerfect, EAS* and *EAS Myoplex* brands all offer a variety of meal and snack options. In 2009, we introduced *ZonePerfect Indulgence* Nutrition Squares. We also reformulated *Ensure* with key ingredients designed to support the immune system.

International nutrition: growth in emerging markets

Increasing personal incomes and growing populations in markets such as China, Southeast Asia and Latin America are driving demand for our nutritional products. The fastest-growing segments are products for toddlers and children. As a result, demand has increased significantly for Abbott's pediatric nutritional products — including *Similac Advance* infant formula, *Gain Advance* formula for older infants and *PediaSure* formula for children.

Abbott is the fastest-growing nutrition company in international markets. We have focused our business on these developing opportunities and are investing in new products for our growing customer base. In 2009, we opened a state-of-the-art manufacturing facility in Singapore that will help us meet global demand.

EAS Myoplex

Bill Sinak
St. Louis, Missouri

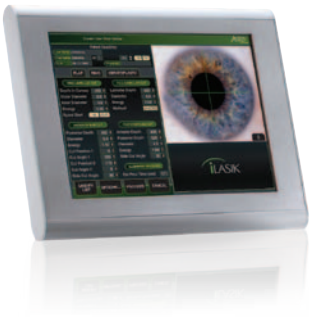
Bill Sinak is always moving. A long-distance runner, cyclist and avid golfer, Bill turns to *EAS Myoplex* shakes and bars when he needs to refuel after a workout. Proper nutrition is the key to maintaining his energy and reaching his fitness goals. *EAS Myoplex* is one of many Abbott products for adult performance nutrition.

Ensure features
ImmunBalance,
a unique blend of prebiotics and antioxidants to balance digestive-tract health and support the immune system.

Medical Products

Abbott drives innovation in the fast-paced medical technology market. Our medical products are advancing disease diagnosis, vision care, diabetes management and the treatment of vascular disease.

Dustin Hudock is a professional soccer player from Charleston, South Carolina. He's one of millions of people each year who correct their vision with LASIK surgery.



Dustin Hudock
LASIK
Charleston, SC

As a goalie, Dustin Hudock has to keep his eye on the ball. When blurry vision became an obstacle, he chose LASIK surgery to correct his vision. Now, he sees every shot with a new clarity.

80% of people 70 years of age or older require vision correction in the United States, Europe and Australia.

Vision Care

A market leader, Abbott is improving treatment options for some of the most common vision ailments, including near- and far-sightedness, cataracts, and symptoms of chronic dry eye.

3 million

people on average worldwide have LASIK surgery to correct their vision each year.

15 million

cataract surgery procedures are performed worldwide each year.

Medical Products — Year in Review

Medical Products Highlights:

- **Launched our next-generation drug-eluting stent, *Xience Prime,* in select international markets**
- **Expanded into structural heart repair**
- **Entered the large and growing vision care market**
- **Launched a new diagnostics system for small to midsize testing labs**

In 2009, our medical products business introduced new products and advanced a promising pipeline in high-growth, technology-driven markets.

Cardiovascular Devices: advancing our lead

Abbott is a leader in cardiac and vascular care with an industry-leading pipeline and a broad portfolio of coronary and endovascular products.

Coronary artery disease is the most common type of heart disease. It occurs when arteries that supply blood to the heart become blocked by a buildup of plaque. Drug-eluting stents (DES) are tiny metal scaffolds placed in diseased arteries to keep them open and reestablish blood flow — an alternative to open-heart surgery.

In 2009, we introduced *Xience Prime* in select international markets. This next-generation DES improves deliverability and is available in longer lengths. We also continued our market leadership with *Xience V*, which has demonstrated statistical superiority in key efficacy and safety measures over another DES.

Xience V was approved in Canada and China in 2009, and it was launched in Japan in early 2010.

We also expanded into the fast-growing structural heart market with an advanced technology designed to repair a patient's leaky mitral valve without the need for open-heart surgery. The *MitraClip* system is available in Europe and is currently under FDA review.

Abbott also markets a broad portfolio of carotid stents, embolic protection devices, balloons, guide wires and vessel closure devices. In 2009, we launched the *Emboshield NAV*[6] Embolic Protection System for use in a carotid stenting procedure, a less-invasive alternative to surgery for patients at risk of stroke from a partially blocked carotid artery.

Vision Care: entering a large and growing market

The need for vision correction is rising as the global population ages. Cataracts are the leading cause of vision loss among people 55 and older. More than 15 million cataract procedures are performed each year.

In 2009, Abbott expanded into the large and growing vision care market, becoming a leader in cataract and LASIK surgical devices, as well as corneal care products. We also added an advanced technology — *Synchrony*, a next-generation accommodating intraocular lens for cataract patients. Currently in U.S. development, it's designed to mimic the eye's natural ability to change focus to improve vision.

Xience Prime

Sandra Huber
Vienna, Austria

At age 37, Sandra Huber didn't expect to have a heart attack. She missed the early symptoms and ignored the warning signs. Her cardiologist used Abbott's *Xience Prime* drug-eluting stent to reopen her blocked artery and reestablish blood flow. Within a few days, Sandra returned to her role as fan club board member for her favorite soccer team.

An estimated
3 million stents
were implanted
worldwide in 2009.

Abbott is tracking more than
2,000
female DES patients in the first all-female stent trial.


KARLSPLA

Medical Products — Year in Review

RealTime PCR HIV-1 Molecular Assay

Kim Clark
Columbus, Ohio

Kim Clark lives with HIV. In addition to medication, her doctor prescribes routine testing with Abbott's *RealTime PCR* HIV-1 viral load molecular assay. The test monitors the response of the virus to antiretroviral drug treatments. It puts Kim's mind at ease to have regular updates on her health.

More than
10,000
Architect systems are used to diagnose illnesses worldwide.

Each year, our bedside tests deliver more than
100 million
test results, which allow for faster care.

Diabetes Care: improving disease management

Globally, more than 220 million people have diabetes. Prevalence of the disease is expected to increase at an alarming rate over the next 10 years. People with diabetes can take steps to control their disease and lower their risk of complications through careful management.

Abbott markets blood glucose meters that are easy to use, require small blood samples and provide fast and accurate results. Our *FreeStyle* line of blood glucose meters improves patient convenience by offering technology that eliminates the manual coding required by other meters.

Diagnostics: a leading presence worldwide

Abbott is a global leader in clinical laboratory diagnostics. Health care professionals use Abbott's diagnostic systems and tests to protect the blood supply, monitor medication levels and assist in the diagnosis and treatment of disease. We continue to transform the practice of medical diagnostics through new products and systems that lower costs, improve productivity and enhance patient care. In 2009, we introduced the *Architect c4000*, a clinical chemistry analyzer for small to midsize testing labs.

Our point-of-care hand-held diagnostic device provides physicians with the information they need to make lifesaving decisions in the intensive and acute care settings of the hospital. The *i-STAT* system is used in one of every three U.S. hospitals and in more than 500 emergency rooms. It features tests for cardiac diagnosis and routine diagnostic assessments.

Abbott's molecular diagnostic tests provide physicians with critical information based on the early detection of pathogens and subtle changes in a patient's genes and chromosomes. The tests' ability to provide highly accurate detection of viruses and bacteria allows for earlier diagnosis, selection of appropriate therapies and monitoring of disease progression. We continue to explore opportunities in pharmacogenomics by developing DNA-based tests to identify patients likely to benefit from certain treatments.

Our *PlexID* Biosensor System has the potential to identify virtually all bacteria, viruses and fungi without requiring users to predict the testing outcome. It has numerous applications, including biological research, epidemiological surveillance and forensics, and offers significant potential for human diagnostics.

Animal Health: leveraging our expertise

Abbott leverages its strengths in human health to advance veterinary medicine and deliver value to small-animal veterinarians and pet owners. We market the *AlphaTrak* blood glucose monitoring system for cats and dogs, as well as products for wound care and nutrition. Our surgical suite product line addresses veterinary needs in anesthesia, fluid therapy and medical devices.

Global Citizenship

We view our commitment to global citizenship as an opportunity to improve lives around the world.

Good corporate citizenship is at the core of our business strategy to develop, manufacture and market innovative products that answer critical health needs. It is reflected in how we expand access to health care, strengthen local communities and reduce the environmental impact of our operations.

Our efforts have earned Abbott inclusion in the Dow Jones Sustainability Index — the leading global benchmark of best-in-class economic, environmental and social performance — for five consecutive years.

As a leader in citizenship, we must continuously reassess our responsibilities and opportunities to improve people's lives. In 2009, Abbott continued to make progress in advancing citizenship in four key areas.

Innovating for the future
In 2009, Abbott renewed its focus on its primary citizenship responsibility: advancing medical innovation to transform people's health around the world. We strengthened our commitment to addressing unmet health needs by establishing an executive council on neglected diseases to apply the expertise of our scientists to help advance new treatments for diseases like malaria and tuberculosis. We also partnered with the Drugs for Neglected Diseases initiative (DNDi) to identify existing molecular compounds in Abbott's research library that may offer promise in addressing neglected diseases.

Improving access
A primary focus for our business is ensuring that people in need have access to our health care products. We work with governments in less developed and middle-income countries to make our medicines available at fair, sustainable prices.

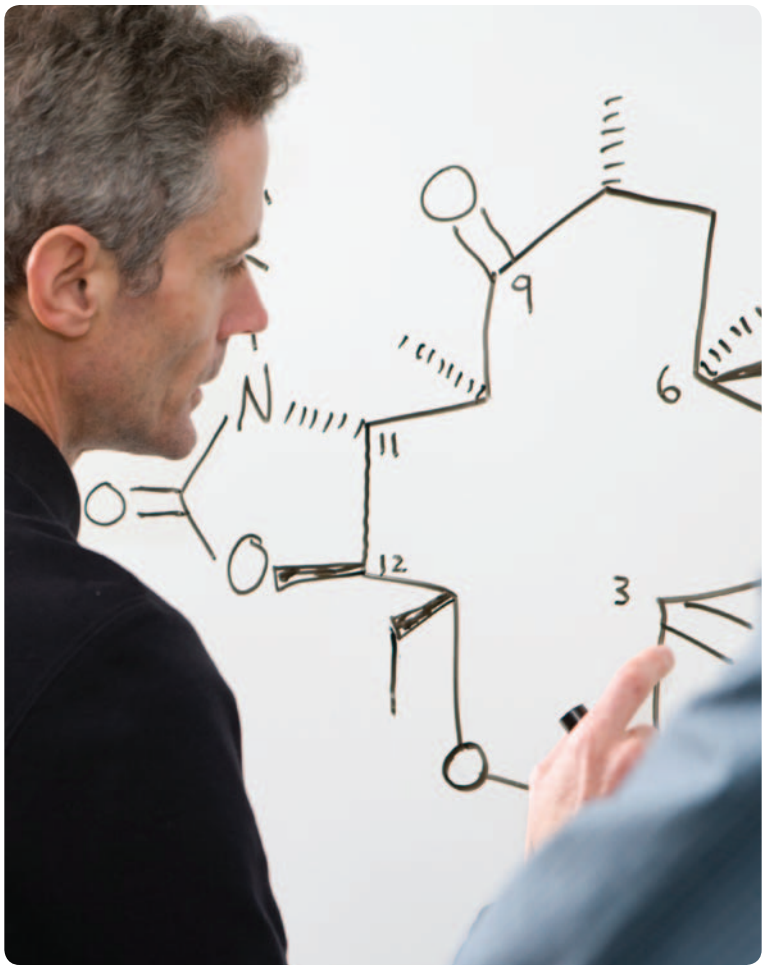
Additionally, in 2009, Abbott and the Abbott Fund invested more than $580 million in capacity-building partnerships, product donations and patient assistance programs.

Protecting patients and consumers
Our approach is to ensure quality and safety across the full spectrum of research, development, manufacturing and use of our products. To help protect and inform patients, we have launched educational websites in many countries, providing treatment and disease-related information, responding to questions and connecting patients with each other.

Safeguarding the environment
Abbott also is helping to address the global challenges of climate change and water scarcity. During 2009, we reduced carbon dioxide emissions in our manufacturing operations by 5 percent from our 2008 levels through an ongoing energy efficiency improvement program. By increasing our energy efficiency and using cleaner fuels, Abbott reduced its use of oil and coal by 35 percent in recent years. Abbott also is saving a billion gallons of water annually by reducing water use throughout our production processes.

These are just a few examples of how Abbott is redefining responsibility across our diverse mix of businesses and geographies. By strengthening the sustainability of our day-to-day operations and using our expertise to advance global health care, we are working to meet the needs of both current and future stakeholders.

For a copy of our full Global Citizenship Report, please visit www.abbott.com/citizenship.



We apply our scientific expertise to (top) educate and inspire students, (left) study potential treatments for neglected diseases, and (right) help communities conserve and protect water.

2009 Financial Report

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Consolidated Statement of Earnings

(dollars and shares in thousands except per share data)

Year Ended December 31	2009	2008	2007
Net Sales	$30,764,707	$29,527,552	$25,914,238
Cost of products sold	13,209,329	12,612,022	11,422,046
Research and development	2,743,733	2,688,811	2,505,649
Acquired in-process research and development	170,000	97,256	—
Selling, general and administrative	8,405,904	8,435,624	7,407,998
Total Operating Cost and Expenses	24,528,966	23,833,713	21,335,693
Operating Earnings	6,235,741	5,693,839	4,578,545
Interest expense	519,656	528,474	593,142
Interest (income)	(137,779)	(201,229)	(136,752)
(Income) from the TAP Pharmaceutical Products Inc. joint venture	—	(118,997)	(498,016)
Net foreign exchange (gain) loss	35,584	84,244	14,997
Other (income) expense, net	(1,375,494)	(454,939)	135,526
Earnings from Continuing Operations Before Taxes	7,193,774	5,856,286	4,469,648
Taxes on Earnings from Continuing Operations	1,447,936	1,122,070	863,334
Earnings from Continuing Operations	5,745,838	4,734,216	3,606,314
Gain on Sale of Discontinued Operations, net of taxes	—	146,503	—
Net Earnings	$ 5,745,838	$ 4,880,719	$ 3,606,314
Basic Earnings Per Common Share —			
Continuing Operations	$ 3.71	$ 3.06	$ 2.34
Gain on Sale of Discontinued Operations, net of taxes	—	0.10	—
Net Earnings	$ 3.71	$ 3.16	$ 2.34
Diluted Earnings Per Common Share —			
Continuing Operations	$ 3.69	$ 3.03	$ 2.31
Gain on Sale of Discontinued Operations, net of taxes	—	0.09	—
Net Earnings	$ 3.69	$ 3.12	$ 2.31
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,546,983	1,545,355	1,543,082
Dilutive Common Stock Options and Awards	8,143	15,398	16,975
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options and Awards	1,555,126	1,560,753	1,560,057
Outstanding Common Stock Options Having No Dilutive Effect	66,189	30,579	6,406

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

Consolidated Statement of Cash Flows

(dollars in thousands)

Year Ended December 31	2009	2008	2007
Cash Flow From (Used in) Operating Activities of Continuing Operations:			
Net earnings	$ 5,745,838	$ 4,880,719	$ 3,606,314
Less: Gain on sale of discontinued operations	—	146,503	—
Earnings from continuing operations	5,745,838	4,734,216	3,606,314
Adjustments to reconcile earnings from continuing operations to net cash from operating activities of continuing operations —			
Depreciation	1,210,977	1,051,728	1,072,855
Amortization of intangible assets	878,533	787,101	782,031
Derecognition of a contingent liability associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture	(797,130)	—	—
Share-based compensation	366,357	347,015	429,677
Gain on dissolution of the TAP Pharmaceutical Products Inc. joint venture	—	(94,248)	—
Acquired in-process research and development	170,000	97,256	—
Investing and financing (gains) losses, net	41,967	111,238	356,331
Trade receivables	(387,749)	(948,314)	(431,846)
Inventories	230,555	(257,476)	131,324
Prepaid expenses and other assets	(386,889)	436,218	(418,344)
Trade accounts payable and other liabilities	(374,715)	569,056	(82,960)
Income taxes	577,416	160,830	(261,539)
Net Cash From Operating Activities of Continuing Operations	7,275,160	6,994,620	5,183,843
Cash Flow From (Used in) Investing Activities of Continuing Operations:			
Acquisitions of businesses and technologies, net of cash acquired	(2,370,630)	(250,000)	—
Acquisitions of property and equipment	(1,089,048)	(1,287,724)	(1,656,207)
Sales of Boston Scientific common stock	—	318,645	568,437
Purchases of investment securities	(248,970)	(923,937)	(32,852)
Proceeds from sales of investment securities	16,306	130,586	17,830
Other	(6,368)	(75,061)	(33,485)
Net Cash (Used in) Investing Activities of Continuing Operations	(3,698,710)	(2,087,491)	(1,136,277)
Cash Flow From (Used in) Financing Activities of Continuing Operations:			
Proceeds from issuance of (repayments of) short-term debt and other	3,217,331	(324,739)	(3,603,481)
Proceeds from issuance of long-term debt	3,000,000	—	3,500,000
Repayments of long-term debt	(2,483,176)	(913,948)	(441,012)
Purchases of common shares	(826,345)	(1,081,806)	(1,058,793)
Proceeds from stock options exercised, including income tax benefit	508,669	1,008,843	1,249,804
Dividends paid	(2,414,460)	(2,174,252)	(1,959,150)
Net Cash From (Used in) Financing Activities of Continuing Operations	1,002,019	(3,485,902)	(2,312,632)
Effect of exchange rate changes on cash and cash equivalents	118,848	(115,160)	200,258
Net cash provided from the sale of discontinued operations	—	349,571	—
Net Increase in Cash and Cash Equivalents	4,697,317	1,655,638	1,935,192
Cash and Cash Equivalents, Beginning of Year	4,112,022	2,456,384	521,192
Cash and Cash Equivalents, End of Year	$ 8,809,339	$ 4,112,022	$ 2,456,384

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

Consolidated Balance Sheet

(dollars in thousands)

December 31	2009	2008	2007
Assets			
Current Assets:			
Cash and cash equivalents	$ 8,809,339	$ 4,112,022	$ 2,456,384
Investments, including $307,500 of investments measured at fair value at December 31, 2007	1,122,709	967,603	364,443
Trade receivables, less allowances of — 2009: $311,546; 2008: $263,632; 2007: $258,288	6,541,941	5,465,660	4,946,876
Inventories:			
Finished products	2,289,280	1,545,950	1,677,083
Work in process	448,487	698,140	681,634
Materials	527,110	531,759	592,725
Total inventories	3,264,877	2,775,849	2,951,442
Deferred income taxes	2,364,142	2,462,871	2,109,872
Other prepaid expenses and receivables	1,210,883	1,258,554	1,213,716
Total Current Assets	23,313,891	17,042,559	14,042,733
Investments	1,132,866	1,073,736	1,125,262
Property and Equipment, at Cost:			
Land	546,204	509,606	494,021
Buildings	4,010,439	3,698,861	3,589,050
Equipment	11,325,450	10,366,267	10,393,402
Construction in progress	604,813	613,939	1,121,328
	16,486,906	15,188,673	15,597,801
Less: accumulated depreciation and amortization	8,867,417	7,969,507	8,079,652
Net Property and Equipment	7,619,489	7,219,166	7,518,149
Intangible Assets, net of amortization	6,291,989	5,151,106	5,720,478
Goodwill	13,200,174	9,987,361	10,128,841
Deferred Income Taxes and Other Assets	858,214	1,945,276	1,178,461
	$52,416,623	$42,419,204	$39,713,924

Consolidated Balance Sheet

(dollars in thousands)

December 31	2009	2008	2007
Liabilities and Shareholders' Investment			
Current Liabilities:			
Short-term borrowings	$ 4,978,438	$ 1,691,069	$ 1,827,361
Trade accounts payable	1,280,542	1,351,436	1,219,529
Salaries, wages and commissions	1,117,410	1,011,312	859,784
Other accrued liabilities	4,363,032	4,216,742	3,713,104
Dividends payable	620,640	559,064	504,540
Income taxes payable	442,140	805,397	80,406
Obligation in connection with conclusion of the TAP Pharmaceutical Products Inc. joint venture	36,105	915,982	—
Current portion of long-term debt	211,182	1,040,906	898,554
Total Current Liabilities	13,049,489	11,591,908	9,103,278
Long-term Debt	11,266,294	8,713,327	9,487,789
Post-employment Obligations and Other Long-term Liabilities	5,202,111	4,595,278	3,298,912
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: 2009: 1,612,683,987; 2008: 1,601,580,899; 2007: 1,580,854,677	8,257,873	7,444,411	6,104,102
Common shares held in treasury, at cost — Shares: 2009: 61,516,398; 2008: 49,147,968; 2007: 30,944,537	(3,310,347)	(2,626,404)	(1,213,134)
Earnings employed in the business	17,054,027	13,825,383	10,805,809
Accumulated other comprehensive income (loss)	854,074	(1,163,839)	2,081,763
Total Abbott Shareholders' Investment	22,855,627	17,479,551	17,778,540
Noncontrolling Interests in Subsidiaries	43,102	39,140	45,405
Total Shareholders' Investment	22,898,729	17,518,691	17,823,945
	$52,416,623	$42,419,204	$39,713,924

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

Consolidated Statement of Shareholders' Investment

(dollars in thousands except per share data)

Year Ended December 31	2009	2008	2007
Common Shares:			
Beginning of Year			
Shares: 2009: 1,601,580,899; 2008: 1,580,854,677; 2007: 1,550,590,438	$ 7,444,411	$ 6,104,102	$ 4,290,929
Issued under incentive stock programs			
Shares: 2009: 11,103,088; 2008: 20,726,222; 2007: 30,264,239	530,373	1,001,507	1,316,294
Tax benefit from option shares and vesting			
of restricted stock awards (no share effect)	15,351	64,714	163,808
Share-based compensation	366,128	342,315	433,319
Issuance of restricted stock awards	(98,390)	(68,227)	(100,248)
End of Year			
Shares: 2009: 1,612,683,987; 2008: 1,601,580,899; 2007: 1,580,854,677	$ 8,257,873	$ 7,444,411	$ 6,104,102
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2009: 49,147,968; 2008: 30,944,537; 2007: 13,347,272	$ (2,626,404)	$ (1,213,134)	$ (195,237)
Private transaction			
Shares purchased: 15,176,500; Shares issued: 14,870,195	—	(378,931)	—
Issued under incentive stock programs			
Shares: 2009: 2,477,853; 2008: 1,607,326; 2007: 2,063,123	133,042	40,946	37,080
Purchased			
Shares: 2009: 14,846,283; 2008: 19,504,452; 2007: 19,660,388	(816,985)	(1,075,285)	(1,054,977)
End of Year			
Shares: 2009: 61,516,398; 2008: 49,147,968; 2007: 30,944,537	$ (3,310,347)	$ (2,626,404)	$ (1,213,134)
Earnings Employed in the Business:			
Beginning of Year	$13,825,383	$10,805,809	$ 9,568,728
Net earnings	5,745,838	4,880,719	3,606,314
Cash dividends declared on common shares			
(per share — 2009: $1.60; 2008: $1.44; 2007: $1.30)	(2,476,036)	(2,228,776)	(2,009,696)
Reclassification resulting from the application of the fair value option			
to Boston Scientific common stock, net of tax	—	—	(188,534)
Cost of common shares retired in excess of stated capital amount	(25,040)	(70,590)	(237,958)
Cost of treasury shares issued (above) below market value	(16,118)	438,221	66,955
End of Year	$17,054,027	$13,825,383	$10,805,809
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (1,163,839)	$ 2,081,763	$ 389,766
Reclassification resulting from the application of the fair value option			
to Boston Scientific common stock, net of tax	—	—	181,834
Other comprehensive income (loss)	2,017,913	(3,245,602)	1,510,163
End of Year	$ 854,074	$ (1,163,839)	$ 2,081,763
Comprehensive Income	$ 7,763,751	$ 1,635,117	$ 5,116,477
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 39,140	$ 45,405	$ 43,945
Noncontrolling Interests' share of income,			
net of distributions and share repurchases	3,962	(6,265)	1,460
End of Year	$ 43,102	$ 39,140	$ 45,405

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

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.

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, except that three U.S. wholesalers accounted for 23 percent, 27 percent and 25 percent of trade receivables as of December 31, 2009, 2008 and 2007, respectively. 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. In connection with the spin-off of Hospira, Inc., Abbott has retained liabilities for taxes on income prior to the spin-off and certain potential liabilities, if any, related to alleged improper pricing practices in connection with federal, state and private reimbursement for certain drugs.

Basis of Consolidation — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The accounts of foreign subsidiaries are consolidated as of November 30, due to the time needed to consolidate these subsidiaries. In December 2009, a foreign subsidiary acquired certain technology that was accounted for as acquired in-process research and development. This transaction was recorded in 2009 due to the significance of the amount. No other events occurred related to these foreign subsidiaries in December 2009, 2008 and 2007 that materially affected the financial position, results of operations or cash flows.

Events that occurred after December 31, 2009 through the date that these financial statements have been filed with the Securities and Exchange Commission were considered in the preparation of these financial statements.

Effective January 1, 2009, Abbott adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," as codified in FASB ASC No. 810, "Consolidation" and accordingly, noncontrolling interests in subsidiaries are presented as a component of total equity as of December 31, 2009, 2008 and 2007.

Use of Estimates — The 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, share-based compensation, derivative financial instruments, and inventory and accounts receivable exposures.

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. 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.

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. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Deferred income taxes are not provided on undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment. Interest and penalties on income tax obligations are included in taxes on income.

Earnings Per Share — Effective January 1, 2009, Abbott adopted FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," as codified in FASB ASC No. 260, "Earnings Per Share," which requires that unvested restricted stock units that contain non-forfeitable rights to dividends be treated as participating securities and be 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. Net earnings allocated to common shares for 2009 were $5.733 billion. Net earnings allocated to common shares in 2008 and 2007 were not significantly different than net earnings.

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

Notes to Consolidated Financial Statements

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, and goodwill and indefinite-lived intangible assets are reviewed for impairment at least on a quarterly and annual basis, respectively.

Share-Based Compensation — The value of stock options and restricted stock awards and units are amortized over their 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.

Cash, Cash Equivalents and Investments — Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less. Except for Abbott's investment in the common stock of Boston Scientific, 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). Beginning on January 1, 2007, the investment in the common stock of Boston Scientific was accounted for as a trading security with changes in fair value recorded in income. 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 market 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 market 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.

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, on an undiscounted basis, 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. Prior to 2009, Abbott carried third-party insurance coverage in amounts that reflect historical loss experience, which did not include coverage for sizable losses. Beginning in 2009, 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.

Note 2 — Supplemental Financial Information

(dollars in millions)

Current Investments:	2009	2008	2007
Time deposits and certificates of deposit	$1,123	$ 968	$ 56
Boston Scientific common stock	—	—	308
Total	$1,123	$ 968	$ 364

(dollars in millions)

Long-term Investments:	2009	2008	2007
Equity securities	$ 153	$ 147	$ 229
Note receivable from Boston Scientific, 4% interest, due in 2011	880	865	851
Other	100	62	45
Total	$1,133	$1,074	$1,125

The fair value option for the investment in Boston Scientific common stock was applied effective January 1, 2007. Under the fair value option, any cumulative unrealized gains or losses on an equity investment previously accounted for as an available-for-sale security is recorded as a cumulative effect adjustment to retained earnings as of the date of the election to apply the fair value option. The pretax and after tax adjustment to Earnings employed in the business upon election to apply the fair value option was $297 million and $189 million, respectively, and the fair value and carrying amount of the investment before and after the election was approximately $1.0 billion. The pretax and after tax adjustment to Accumulated other comprehensive income (loss) was $303 million and $182 million, respectively. The effect on deferred income taxes of applying the fair value option was not significant.

Other (income) expense, net, for 2009 includes the derecognition of a contingent liability of $797 million associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture as discussed in Note 3, a $287 million gain from the settlement reached between Abbott and Medtronic, Inc. resolving all outstanding intellectual property litigation between the two parties and income from the recording of certain investments at fair value in connection with business acquisitions. Other (income) expense, net, for 2009 and 2008 also includes ongoing contractual payments from Takeda associated with the conclusion of the TAP joint venture and a gain in 2008 on the sale of an equity investment accounted for as an available-for-sale investment.

Notes to Consolidated Financial Statements

In addition, Abbott recorded a gain of approximately $94 million in connection with the dissolution of the TAP joint venture in 2008. Other (income) expense, net for 2007 includes a $190 million fair market value loss adjustment to Abbott's investment in Boston Scientific common stock and a realized gain of $37 million on the sales of Boston Scientific common stock.

(dollars in millions)

Other Accrued Liabilities:	2009	2008	2007
Accrued rebates payable to government agencies	$ 641	$ 577	$ 662
Accrued other rebates (a)	668	455	444
All other	3,054	3,185	2,607
Total	$4,363	$4,217	$3,713

(a) Accrued wholesaler chargeback rebates of $217, $210 and $157 at December 31, 2009, 2008 and 2007, 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.

(dollars in millions)

Post-employment Obligations and Other Long-term Liabilities:	2009	2008	2007
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$2,394	$2,713	$1,872
All other	2,808	1,882	1,427
Total	$5,202	$4,595	$3,299

(dollars in millions)

Comprehensive Income, net of tax:	2009	2008	2007
Foreign currency gain (loss) translation adjustments	$2,295	$(2,208)	$1,153
Net actuarial (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $8 in 2009, $638 in 2008 and $(226) in 2007	(260)	(987)	343
Unrealized gains (losses) on marketable equity securities, net of taxes of $(4) in 2009, $28 in 2008 and $(31) in 2007	7	(49)	54
Net adjustments for derivative instruments designated as cash flow hedges	(24)	(2)	(40)
Other comprehensive income (loss)	2,018	(3,246)	1,510
Net Earnings	5,746	4,881	3,606
Comprehensive Income	$7,764	$ 1,635	$5,116

(dollars in millions)

Supplemental Accumulated Other Comprehensive Income Information, net of tax:	2009	2008	2007
Cumulative foreign currency translation (gain) adjustments	$(3,035)	$ (740)	$(2,948)
Net actuarial losses and prior service cost and credits	2,161	1,901	914
Cumulative unrealized (gains) on marketable equity securities	(24)	(17)	(66)
Cumulative losses on derivative instruments designated as cash flow hedges	44	20	18

(dollars in millions)

Supplemental Cash Flow Information:	2009	2008	2007
Income taxes paid	$635	$772	$952
Interest paid	514	561	564

For the acquired *Lupron* business in 2008, as discussed in Note 3, Abbott recorded intangible assets, primarily *Lupron* product rights, of approximately $700 million, goodwill of approximately $350 million and deferred tax liabilities related to the intangible assets of approximately $260 million. Abbott also recorded a liability of approximately $1.1 billion relating to an agreement to remit cash to Takeda if certain research and development events are not achieved on the development assets retained by Takeda. Related deferred tax assets of approximately $410 million were also recorded. The sale of Abbott's equity interest in TAP resulted in the recording of net assets related to the *Lupron* business, primarily cash, receivables, inventory and other assets, net of accounts payable and other accrued liabilities, offset by a credit to Abbott's investment in TAP in the amount of approximately $280 million.

Note 3 — Conclusion of TAP Pharmaceutical Products Inc. Joint Venture and Sale of Abbott's Spine Business

On April 30, 2008, Abbott and Takeda concluded their TAP Pharmaceutical Products Inc. (TAP) joint venture, evenly splitting the value and assets of the joint venture. Abbott exchanged its 50 percent equity interest in TAP for the assets, liabilities and employees related to TAP's *Lupron* business. Subsequent to the conclusion of the joint venture, TAP was merged into two Takeda entities. The exchange of Abbott's investment in TAP for TAP's *Lupron* business resulted in a gain at closing of approximately $94 million. The Internal Revenue Service has issued a private letter ruling that the transaction qualifies as tax-free for U.S. income tax purposes.

Beginning on May 1, 2008, Abbott began recording U.S. *Lupron* net sales and costs in its operating results and no longer records income from the TAP joint venture. TAP's sales of *Lupron* were $182 million for the four months ended April 30, 2008 and $645 million in 2007. Abbott also receives payments based on specified development, approval and commercial events being achieved with respect to products retained by Takeda and payments from Takeda based on sales of products retained by Takeda, which are recorded by Abbott as Other (income) expense, net as earned.

Notes to Consolidated Financial Statements

The exchange transaction was accounted for as a sale of Abbott's equity interest in TAP and as an acquisition of TAP's *Lupron* business. The sale of Abbott's equity interest in TAP resulted in the recording of net assets related to the *Lupron* business, primarily cash, receivables, inventory and other assets, net of accounts payable and other accrued liabilities, offset by a credit to Abbott's investment in TAP in the amount of approximately $280 million.

For the acquired *Lupron* business, Abbott recorded intangible assets, primarily *Lupron* product rights, of approximately $700 million, goodwill of approximately $350 million and deferred tax liabilities related primarily to the intangible assets of approximately $260 million. The intangible assets are being amortized over 15 years. Abbott has also agreed to remit cash to Takeda if certain research and development events are not achieved on the development assets retained by Takeda. These amounts were recorded as a liability at closing in the amount of approximately $1.1 billion. Related deferred tax assets of approximately $410 million were also recorded. Of the $1.1 billion, Abbott made tax-deductible payments of $83 million and $200 million in 2009 and 2008, respectively, and Abbott will make a tax-deductible payment of approximately $36 million in 2010. In 2009, events occurred resulting in the remaining payments not being required and the remaining liability in the amount of $797 million was derecognized and recorded as income in Other (income) expense, net.

The 50 percent-owned joint venture was accounted for under the equity method of accounting. Summarized financial information for TAP follows below. The results for 2008 include results through April 30.

(dollars in millions)

Year Ended December 31	2008	2007
Net sales	$853	$3,002
Cost of sales	229	720
Income before taxes	356	1,564
Net income	238	996

In the fourth quarter of 2008, Abbott sold its spine business for approximately $360 million in cash, resulting in an after-tax gain of approximately $147 million which is presented as Gain on sale of discontinued operations, net of taxes, in the accompanying statement of income. The operations and financial position of the spine business are not presented as discontinued operations because the effects would not be significant.

Note 4 — 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, totaling $2.0 billion, $129 million and $281 million at December 31, 2009, 2008 and 2007, respectively, 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, 2009 will be included in Cost of products sold at the time the products are sold, generally through the next twelve 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 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, 2009, 2008 and 2007, Abbott held $7.5 billion, $8.3 billion and $5.5 billion, respectively, of such foreign currency forward exchange contracts.

Abbott has designated foreign denominated short-term debt as a hedge of the net investment in certain foreign subsidiaries of approximately $575 million, $585 million and $1.7 billion as of December 31, 2009, 2008 and 2007, respectively. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling $5.5 billion, $2.5 billion and $1.5 billion at December 31, 2009, 2008 and 2007, respectively, to manage its exposure to changes in the fair value of fixed-rate debt due 2011 through 2019. 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 2009, 2008 and 2007 for these hedges.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $42 million and $(3) million, respectively, at December 31, 2009; $55 million and $(23) million, respectively, at December 31, 2008 and $108 million and $(3) million, respectively, at December 31, 2007.

Notes to Consolidated Financial Statements

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

(dollars in millions)	Fair Value - Assets				Fair Value - Liabilities			
	2009	2008	2007	Balance Sheet Caption	2009	2008	2007	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$ 80	$170	$ —	Deferred income taxes and other assets	$218	$ —	$ 25	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts —								
Hedging instruments	—	—	—	Other prepaid	27	7	2	Other accrued
Others not designated as hedges	31	148	24	expenses and receivables	87	93	43	liabilities
Debt designated as a hedge of net investment in certain foreign subsidiaries	—	—	—	n/a	575	585	1,658	Short-term borrowings
	$111	$318	$24		$907	$685	$1,728	

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 certain foreign subsidiaries and the amounts and location of income (expense) and gain (loss) reclassified into income and for certain other derivative financial instruments. The amount of hedge ineffectiveness was not significant in 2009, 2008 and 2007 for these hedges.

(dollars in millions)	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
	2009	2008	2007	2009	2008	2007	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$(65)	$ (7)	$ (5)	$ (64)	$ (8)	$—	Cost of products sold
Debt designated as a hedge of net investment in certain foreign subsidiaries	15	(212)	(114)	—	—	—	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(309)	195	60	Interest expense
Foreign currency forward exchange contracts not designated as hedges	n/a	n/a	n/a	(106)	292	48	Net foreign exchange (gain) loss

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.

(dollars in millions)	2009		2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investments:						
Available-for-sale equity securities	$ 153	$ 153	$ 147	$ 147	$ 229	$ 229
Note receivable	880	925	865	824	851	809
Other	100	79	62	56	45	40
Total Long-term Debt	(11,477)	(12,304)	(9,754)	(10,458)	(10,386)	(10,593)
Foreign Currency Forward Exchange Contracts:						
Receivable position	31	31	148	148	24	24
(Payable) position	(114)	(114)	(100)	(100)	(45)	(45)
Interest Rate Hedge Contracts:						
Receivable position	80	80	170	170	—	—
(Payable) position	(218)	(218)	—	—	(25)	(25)

Notes to Consolidated Financial Statements

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

(dollars in millions)		Basis of Fair Value Measurement		
December 31, 2009:	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
Equity and other securities	$ 104	$ 75	$ —	$29
Interest rate swap financial instruments	80	—	80	—
Foreign currency forward exchange contracts	31	—	31	—
Total Assets	$ 215	$ 75	$ 111	$29
Fair value of hedged long-term debt	$5,362	$ —	$5,362	$ —
Interest rate swap financial instruments	218	—	218	—
Foreign currency forward exchange contracts	114	—	114	—
Total Liabilities	$5,694	$ —	$5,694	$ —
December 31, 2008:				
Equity and other securities	$ 144	$105	$ 10	$29
Interest rate swap financial instruments	170	—	170	—
Foreign currency forward exchange contracts	148	—	148	—
Total Assets	$ 462	$105	$ 328	$29
Fair value of hedged long-term debt	$2,670	$ —	$2,670	$ —
Foreign currency forward exchange contracts	100	—	100	—
Total Liabilities	$2,770	$ —	$2,770	$ —
December 31, 2007:				
Trading securities	$ 308	$308	$ —	$ —
Marketable available-for-sale securities	193	193	—	—
Foreign currency forward exchange contracts	24	—	24	—
Total Assets	$ 525	$501	$ 24	$ —
Fair value of hedged long-term debt	$1,475	$ —	$1,475	$ —
Interest rate swap financial instruments	25	—	25	—
Foreign currency forward exchange contracts	45	—	45	—
Total Liabilities	$1,545	$ —	$1,545	$ —

In connection with the conclusion of the TAP Pharmaceutical Products Inc. joint venture, Abbott received investments in 2008 that are valued using significant unobservable inputs. The recorded value of these investments has not changed significantly.

Notes to Consolidated Financial Statements

Note 5 — 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:

(dollars in millions)	Defined Benefit Plans			Medical and Dental Plans		
	2009	2008	2007	2009	2008	2007
Projected benefit obligations, January 1	$ 5,541	$ 5,783	$5,614	$ 1,443	$ 1,514	$ 1,520
Service cost — benefits earned during the year	221	233	249	45	43	58
Interest cost on projected benefit obligations	368	353	316	94	92	97
Losses (gains), primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	747	(278)	(309)	175	(158)	(100)
Benefits paid	(251)	(241)	(228)	(58)	(68)	(61)
Other, primarily foreign currency translation	226	(309)	141	6	20	—
Projected benefit obligations, December 31	$ 6,852	$ 5,541	$5,783	$ 1,705	$ 1,443	$ 1,514
Plans' assets at fair value, January 1	$ 3,997	$ 5,667	$5,086	$ 266	$ 307	$ 212
Actual return on plans' assets	1,096	(1,568)	442	62	(106)	20
Company contributions	862	285	283	71	133	136
Benefits paid	(251)	(241)	(228)	(58)	(68)	(61)
Other, primarily foreign currency translation	108	(146)	84	—	—	—
Plans' assets at fair value, December 31	$ 5,812	$ 3,997	$5,667	$ 341	$ 266	$ 307
Projected benefit obligations greater than plans' assets, December 31	$(1,040)	$(1,544)	$ (116)	$(1,364)	$(1,177)	$(1,207)
Long-term assets	$ 21	$ 16	$ 576	$ —	$ —	$ —
Short-term liabilities	(31)	(24)	(27)	—	—	—
Long-term liabilities	(1,030)	(1,536)	(665)	(1,364)	(1,177)	(1,207)
Net liability	$(1,040)	$(1,544)	$ (116)	$(1,364)	$(1,177)	$(1,207)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):						
Actuarial losses, net	$ 2,699	$ 2,554	$ 920	$ 685	$ 587	$ 635
Prior service cost (credits)	34	38	40	(184)	(206)	(227)
Total	$ 2,733	$ 2,592	$ 960	$ 501	$ 381	$ 408

The projected benefit obligations for non-U.S. defined benefit plans was $2.0 billion, $1.3 billion and $1.8 billion at December 31, 2009, 2008 and 2007, respectively. The accumulated benefit obligations for all defined benefit plans was $5.8 billion, $4.7 billion and $4.9 billion at December 31, 2009, 2008 and 2007, respectively. For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2009, 2008 and 2007, the aggregate accumulated benefit obligations were $1.5 billion, $4.2 billion and $697 million, respectively; the projected benefit obligations were $1.8 billion, $4.8 billion and $770 million, respectively; and the aggregate plan assets were $780 million, $3.3 billion and $84 million, respectively.

(dollars in millions)	Defined Benefit Plans			Medical and Dental Plans		
	2009	2008	2007	2009	2008	2007
Service cost — benefits earned during the year	$ 221	$ 233	$ 249	$ 45	$ 43	$ 58
Interest cost on projected benefit obligations	368	353	316	94	92	97
Expected return on plans' assets	(506)	(487)	(426)	(24)	(33)	(24)
Amortization of actuarial losses	52	34	81	30	29	55
Amortization of prior service cost (credits)	4	4	4	(22)	(21)	(22)
Total cost	$ 139	$ 137	$ 224	$123	$110	$164

Notes to Consolidated Financial Statements

Other comprehensive income (loss) for 2009 includes amortization of actuarial losses and prior service cost of $52 million and $4 million, respectively, and net actuarial losses of $197 million for defined benefit plans and amortization of actuarial losses and prior service credits of $30 million and $22 million, respectively, and net actuarial losses of $128 million for medical and dental plans. Other comprehensive income (loss) for 2008 includes amortization of actuarial losses and prior service cost of $34 million and $4 million, respectively, and net actuarial losses of $1.6 billion for defined benefit plans and amortization of actuarial losses and prior service credits of $29 million and $21 million, respectively, and net actuarial gains of $19 million for medical and dental plans. Other comprehensive income (loss) for 2007 includes amortization of actuarial losses and prior service cost of $81 million and $4 million, respectively, and net actuarial gains of $341 million for defined benefit plans and amortization of actuarial losses and prior service credits of $55 million and $22 million, respectively, and net actuarial gains of $96 million for medical and dental plans. The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2009 that is expected to be recognized in the net periodic benefit cost in 2010 is $117 million and $4 million, respectively, for defined benefit pension plans and $39 million and $(22) million, 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:

	2009	2008	2007
Discount rate	5.8%	6.7%	6.2%
Expected aggregate average long-term change in compensation	5.2%	4.3%	4.2%

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

	2009	2008	2007
Discount rate	6.7%	6.2%	5.7%
Expected return on plan assets	8.2%	8.4%	8.3%
Expected aggregate average long-term change in compensation	4.3%	4.2%	4.2%

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

	2009	2008	2007
Health care cost trend rate assumed for the next year	7 %	7 %	7 %
Rate that the cost trend rate gradually declines to	5 %	5 %	5 %
Year that rate reaches the assumed ultimate rate	2016	2012	2012

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 is a forward projection 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, 2009, by $232 million /$(189) 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 $23 million /$(18) million.

The following table summarizes the bases used to measure defined benefit plans' assets at fair value at December 31, 2009:

		Basis of Fair Value Measurement		
(dollars in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
Equities:				
U.S. large cap (a)	$1,267	$1,247	$ 20	$ —
U.S. mid cap (b)	339	105	234	—
International (c)	1,186	455	731	—
Fixed income securities:				
U.S. government securities (d)	753	321	430	2
Corporate debt instruments (e)	478	203	272	3
Non-U.S. government securities (f)	346	163	183	—
Other (g)	46	21	23	2
Absolute return funds (h)	1,296	237	536	523
Other (i)	101	74	27	—
	$5,812	$2,826	$2,456	$530

(a) A mix of low-cost index funds not actively managed that track the S&P 500 (40 percent) and separate actively managed equity accounts that track the Russell 1000 (60 percent).

(b) A mix of low-cost index funds not actively managed (75 percent) and separate actively managed equity accounts (25 percent) that track the S&P 400 midcap index.

(c) Primarily separate actively managed pooled investment accounts that track the MSCI and MSCI emerging market indices.

(d) Low-cost index funds not actively managed (75 percent) and separate actively managed accounts (25 percent).

(e) Low-cost index funds not actively managed (75 percent) and separate actively managed accounts (25 percent).

(f) Primarily United Kingdom and Irish government-issued bonds.

(g) Primarily mortgage backed securities.

(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 cash and cash equivalents.

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. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry-recognized vendors. Absolute return funds are valued at the NAV provided by the fund administrator.

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The following table summarizes the change in the value of assets that are measured using significant unobservable inputs:

(dollars in millions)	
January 1, 2009	$303
Transfers in from other categories	3
Actual return on plan assets:	
Assets on hand at year end	99
Assets sold during the year	(5)
Purchases, sales and settlements, net	130
December 31, 2009	$530

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, balancing higher return, more volatile equity securities, and 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.

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.

Approximately 70 percent of Abbott's medical and dental plans' assets are invested in equity securities and 30 percent in fixed income securities and are measured using quoted prices in active markets or significant other observable inputs.

Abbott funds its domestic pension plans according to IRS funding limitations. In 2009, $700 million was funded to the main domestic pension plan and $200 million was funded annually to the main domestic pension plan in 2008 and in 2007. International pension plans are funded according to similar regulations. Abbott expects pension funding for its main domestic pension plan of $200 million annually.

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:

(dollars in millions)	Defined Benefit Plans	Medical and Dental Plans
2010	$ 252	$ 79
2011	261	84
2012	271	89
2013	282	94
2014	294	100
2015 to 2019	1,723	602

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $137 million in 2009, $129 million in 2008 and $119 million in 2007.

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

Note 6 — Taxes on Earnings

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. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $20.6 billion at December 31, 2009. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. In the U.S., Abbott's federal income tax returns through 2005 are settled, and the income tax returns for years after 2005 are open. 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:

(dollars in millions)

Earnings From Continuing Operations Before Taxes:	2009	2008	2007
Domestic	$1,502	$ (81)	$ 670
Foreign	5,692	5,937	3,800
Total	$7,194	$5,856	$4,470

Taxes on Earnings From Continuing Operations:	2009	2008	2007
Current:			
U.S. Federal, State and Possessions	$ 194	$1,188	$ 564
Foreign	521	782	675
Total current	715	1,970	1,239
Deferred:			
Domestic	905	(845)	(304)
Foreign	(172)	(3)	(72)
Total deferred	733	(848)	(376)
Total	$1,448	$1,122	$ 863

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

	2009	2008	2007
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Benefit of lower foreign tax rates and tax exemptions	(16.4)	(16.7)	(12.6)
State taxes, net of federal benefit	1.0	0.2	0.4
Adjustments primarily related to resolution of prior years' accrual requirements	—	(0.5)	—
Domestic dividend exclusion	—	(0.6)	(3.1)
All other, net	0.5	1.8	(0.4)
Effective tax rate on earnings from continuing operations	20.1%	19.2%	19.3%

Notes to Consolidated Financial Statements

As of December 31, 2009, 2008 and 2007, total deferred tax assets were $4.4 billion, $5.4 billion and $3.6 billion, respectively, and total deferred tax liabilities were $1.8 billion, $1.4 billion and $1.4 billion, respectively. 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. Valuation allowances for recorded deferred tax assets were not significant. The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(dollars in millions)	2009	2008	2007
Compensation and employee benefits	$ 1,332	$ 1,496	$ 862
Trade receivable reserves	369	434	337
Inventory reserves	251	261	220
Deferred intercompany profit	232	248	262
State income taxes	187	137	84
Depreciation	(93)	(64)	(105)
Acquired in-process research and development and other accruals and reserves not currently deductible	1,889	2,771	1,751
Other, primarily the excess of book basis over tax basis of intangible assets	(1,593)	(1,293)	(1,197)
Total	$ 2,574	$ 3,990	$ 2,214

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.

(dollars in millions)	2009	2008	2007
January 1	$1,523	$1,126	$ 713
Increase due to current year tax positions	544	385	339
Increase due to prior year tax positions	234	418	147
Decrease due to current year tax positions	—	(25)	—
Decrease due to prior year tax positions	(90)	(240)	(11)
Settlements	(39)	(121)	(62)
Lapse of statute	—	(20)	—
December 31	$2,172	$1,523	$1,126

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $2.0 billion. Abbott believes that it is reasonably possible that unrecognized tax benefits will be settled within the next twelve months as a result of concluding various tax matters. Abbott expects the range of the decrease in the recorded amounts of unrecognized tax benefits, primarily as a result of cash adjustments, to range from zero to $680 million, arising from the conclusion of these tax matters.

Note 7 — 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:

Pharmaceutical Products — Worldwide sales of a broad line of pharmaceuticals. For segment reporting purposes, two pharmaceutical divisions are aggregated and reported as the Pharmaceutical Products segment.

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, three diagnostic divisions are aggregated and reported as the Diagnostic Products segment.

Vascular Products — Worldwide sales of coronary, endovascular and vessel closure products.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. For acquisitions prior to 2006, substantially all intangible assets and related amortization are not allocated to segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

(dollars in millions)	Net Sales to External Customers (a)			Operating Earnings (Loss) (a)			Depreciation and Amortization			Additions to Long-term Assets			Total Assets		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Pharmaceuticals (b)	$16,486	$16,708	$14,632	$6,443	$6,331	$5,509	$ 384	$ 323	$330	$ 239	$ 831	$ 407	$11,215	$10,356	$ 9,197
Nutritionals	5,284	4,924	4,388	910	859	855	157	135	115	173	281	388	3,368	3,220	3,261
Diagnostics	3,578	3,575	3,158	406	375	252	282	312	286	453	270	374	3,688	3,218	3,792
Vascular (b)	2,692	2,241	1,663	557	205	(188)	238	240	234	611	489	312	5,403	4,822	4,706
Total Reportable Segments	28,040	27,448	23,841	$8,316	$7,770	$6,428	$1,061	$1,010	$965	$1,476	$1,871	$1,481	$23,674	$21,616	$20,956
Other	2,725	2,080	2,073												
Net Sales	$30,765	$29,528	$25,914												

(a) Net sales and operating earnings for 2009 were unfavorably affected by the relatively stronger U.S. dollar and were favorably affected by the relatively weaker U.S. dollar in 2008 and 2007.

(b) Additions to long-term assets in 2009 for the Vascular Products segment include goodwill of $158 and intangibles of $373. Additions to long-term assets in 2008 for the Pharmaceutical Products segment includes acquired intangible assets of $700 and for the Vascular Products segment includes goodwill of $321.

Notes to Consolidated Financial Statements

(dollars in millions)	2009	2008	2007
Total Reportable Segment Operating Earnings	$8,316	$ 7,770	$ 6,428
Corporate functions and benefit plans costs	(354)	(377)	(421)
Non-reportable segments	209	133	298
Net interest expense	(382)	(327)	(456)
Acquired in-process research and development	(170)	(97)	—
Income from the TAP Pharmaceutical Products Inc. joint venture	—	119	498
Share-based compensation	(366)	(347)	(430)
Other, net (c)	(59)	(1,018)	(1,447)
Consolidated Earnings from Continuing Operations Before Taxes	$7,194	$ 5,856	$ 4,470

(c) Other, net, for 2009, includes the derecognition of a contingent liability of $797 established in connection with the conclusion of the TAP joint venture and a $287 gain from a patent litigation settlement.

(dollars in millions)	2009	2008	2007
Total Reportable Segment Assets	$23,674	$21,616	$20,956
Cash and investments	11,065	6,153	3,946
Current deferred income taxes	2,364	2,463	2,110
Non-reportable segments	5,371	1,094	1,575
All other, net, primarily goodwill and intangible assets not allocated to reportable segments	9,943	11,093	11,127
Total Assets	$52,417	$42,419	$39,714

	Net Sales to External Customers (d)			Long-term Assets		
(dollars in millions)	2009	2008	2007	2009	2008	2007
United States	$14,453	$14,495	$13,252	$14,886	$14,271	$12,870
Japan	1,590	1,249	1,111	1,161	1,046	987
Germany	1,481	1,381	1,235	6,914	5,833	6,822
The Netherlands	1,801	1,753	1,271	365	175	211
Italy	1,172	1,089	974	274	248	288
Canada	902	924	832	166	131	156
France	959	977	854	106	114	142
Spain	970	909	731	342	284	336
United Kingdom	779	725	627	1,095	1,008	1,371
All Other Countries	6,658	6,026	5,027	3,794	2,267	2,488
Consolidated	$30,765	$29,528	$25,914	$29,103	$25,377	$25,671

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

Note 8 — 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 $3 million, and the aggregate cleanup exposure is not expected to exceed $15 million.

There are a number of patent disputes with third parties who claim Abbott's products infringe their patents. In April 2007, New York University (NYU) and Centocor, Inc. filed a lawsuit in the Eastern District of Texas asserting that *HUMIRA* infringes a patent co-owned by NYU and Centocor and exclusively licensed to Centocor. In June 2009, a jury found that Abbott had willfully infringed the patent and awarded NYU and Centocor approximately $1.67 billion in past compensatory damages. In October 2009, the district court overturned the jury's finding that Abbott's infringement was willful, but denied Abbott's request to overturn the jury's verdict on validity, infringement, and damages. In December 2009, the district court issued a final judgment and awarded the plaintiffs an additional $175 million in prejudgment interest. Abbott has appealed the jury's verdict. Abbott is confident in the merits of its case and believes that it will prevail on appeal. As a result, no reserves have been recorded in this case. Abbott's acquisition of Kos Pharmaceuticals Inc. resulted in the assumption of various cases and investigations and Abbott has recorded a reserve.

There are several civil actions pending brought by individuals or entities that allege generally that Abbott and numerous pharmaceutical companies reported false or misleading pricing information relating to the average wholesale price of certain pharmaceutical products in connection with federal, state and private reimbursement. Civil actions have also been brought against Abbott, and in some cases other members of the pharmaceutical industry, by state attorneys general seeking to recover alleged damages on behalf of state Medicaid programs. In May 2006, Abbott was notified that the U.S. Department of Justice intervened in a civil whistle-blower lawsuit alleging that Abbott inflated prices for Medicaid and Medicare reimbursable drugs. Abbott has settled a few of the cases and recorded reserves for its estimated losses in a few other cases, however, Abbott is unable to estimate the range or amount of possible loss for the remaining cases, and no loss reserves have been recorded for them. Many of the products involved in these cases are Hospira products. Hospira, Abbott's former hospital products business, was spun off to Abbott's shareholders in 2004. Abbott retained liability for losses that result from these cases and investigations to the extent any such losses both relate to the sale of Hospira's products prior to the spin-off of Hospira and relate to allegations that were made in such pending and future cases and investigations that were the same as allegations existing at the date of the spin-off.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by Abbott. For its legal proceedings and environmental exposures, except as noted above, Abbott estimates the range of possible loss to be from approximately $170 million to $310 million. The recorded reserve balance at December 31, 2009 for these proceedings and exposures was approximately $215 million. These reserves represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

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, except for the cases and investigations discussed in the third paragraph and the patent case discussed in the second paragraph of this footnote, the resolution of which could be material to cash flows or results of operations.

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In 2009, Abbott and Medtronic, Inc. reached a settlement resolving all outstanding intellectual property litigation between the two parties. Under the terms of the settlement, Medtronic paid Abbott $400 million. The settlement also includes a mutual agreement not to pursue additional litigation on current and future vascular products, subject to specific conditions and time limits. In connection with the settlement, Abbott recognized a gain of $287 million which is included in Other (income) expense, net. The remaining amounts are being recognized as royalty income as earned.

Note 9 — Incentive Stock Program

The 2009 Incentive Stock Program authorizes the granting of nonqualified stock options, replacement stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options, replacement 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 2009, Abbott granted 1,783,300 stock options, 1,449,301 replacement stock options, 1,278,467 restricted stock awards and 5,677,322 restricted stock units under this program. In addition, 2,899,411 options were issued in connection with the conversion of Advanced Medical Optics, Inc. options to Abbott options. 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 vest equally over three years except for replacement options, which vest in six months. Options granted before January 1, 2005 included a replacement feature. Except for options outstanding that have a replacement feature, options granted after December 31, 2004 do not include a replacement feature. When an employee tenders mature shares to Abbott upon exercise of a stock option, a replacement stock option may be granted equal to the amount of shares tendered. Replacement options are granted at the then current market price for a term that expires on the date of the underlying option grant. Upon a change in control of Abbott, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards and units are deemed satisfied. 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 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 service period. 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. Abbott does not have a policy of purchasing its shares relating to its share-based programs. At December 31, 2009, approximately 220 million shares were reserved for future grants, including 175 million shares authorized by Abbott's shareholders in April 2009. Subsequent to year-end, the reserve was reduced by approximately 23 million shares for stock options and restricted stock awards and units granted by the Board of Directors.

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2008 and December 31, 2009 was 3,574,445 and $52.21 and 8,703,247 and $53.64, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2009 were 6,955,789 and $53.54, 1,556,472 and $49.98 and 270,515 and $53.39, respectively. The fair market value of restricted stock awards and units vested in 2009, 2008 and 2007 was $81 million, $76 million and $114 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, 2008	128,827,135	$49.16	6.4	87,770,715	$47.39	5.4
Granted	6,132,012	58.50				
Exercised	(13,281,445)	43.91				
Lapsed	(2,817,581)	54.94				
December 31, 2009	118,860,121	$50.09	5.7	98,251,406	$49.16	5.2

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2009 was $574 million and $565 million, respectively. The total intrinsic value of options exercised in 2009, 2008 and 2007 was $129 million, $314 million and $613 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2009 amounted to approximately $230 million which is expected to be recognized over the next three years.

Total non-cash compensation expense charged against income in 2009, 2008 and 2007 for share-based plans totaled approximately $365 million, $350 million and $430 million, respectively, and the tax benefit recognized was approximately $118 million, $117 million and $142 million, respectively. Compensation cost capitalized as part of inventory is not significant.

The fair value of an option granted in 2009, 2008 and 2007 was $9.28, $11.42 and $12.88, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2009	2008	2007
Risk-free interest rate	2.7%	3.0%	4.5%
Average life of options (years)	6.0	6.0	5.9
Volatility	22.0%	24.0%	25.0%
Dividend yield	3.0%	2.6%	2.5%

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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:

(dollars in millions)	2009	2008	2007
Various notes, due 2009	$ —	$ —	$ 1,000
1.51% Yen notes, due 2010	—	157	135
3.75% Notes, due 2011	500	500	500
5.6% Notes, due 2011	1,500	1,500	1,500
5.15% Notes, due 2012	1,000	1,000	1,000
4.35% Notes, due 2014	500	500	500
5.875% Notes, due 2016	2,000	2,000	2,000
5.6% Notes, due 2017	1,500	1,500	1,500
5.125% Notes, due 2019	2,000	—	—
6.15% Notes, due 2037	1,000	1,000	1,000
6.0% Notes, due 2039	1,000	—	—
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	266	556	353
Total, net of current maturities	11,266	8,713	9,488
Current maturities of long-term debt	211	1,041	898
Total carrying amount	$11,477	$9,754	$10,386

Principal payments required on long-term debt outstanding at December 31, 2009, are $211 million in 2010, $2.0 billion in 2011, $1.0 billion in 2012, $291 million in 2013, $502 million in 2014 and $7.6 billion thereafter.

At December 31, 2009, Abbott's long-term debt rating was AA by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $6.3 billion that support commercial paper borrowing arrangements of which a $3.3 billion facility expires in October 2010 and a $3.0 billion facility expires in 2012. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's weighted-average interest rate on short-term borrowings was 0.2% at December 31, 2009, 0.5% at December 31, 2008 and 3.7% at December 31, 2007.

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions

On January 1, 2009, Abbott adopted the provisions of SFAS No. 141 (revised 2007), "Business Combinations," as codified in FASB ASC No. 805, "Business Combinations." Under ASC No. 805, acquired in-process research and development is accounted for as an indefinite-lived intangible asset until approval or discontinuation rather than as expense, acquisition costs in connection with an acquisition are expensed rather than added to the cost of an acquisition and the fair value of contingent consideration at the date of an acquisition is added to the cost of the acquisition.

In February 2009, Abbott acquired the outstanding shares of Advanced Medical Optics, Inc. (AMO) for approximately $1.4 billion in cash, net of cash held by AMO. Prior to the acquisition, Abbott held a small investment in AMO. Abbott acquired AMO to take advantage of increasing demand for vision care technologies due to population growth and demographic shifts and AMO's premier position in its field. Abbott acquired control of this business on February 25, 2009 and the financial results of the acquired operations are included in these financial statements beginning on that date. The acquisition was financed with long-term debt. The allocation of the fair value of the acquisition is shown in the table below:

(dollars in billions)	
Goodwill, non-deductible	$ 1.7
Acquired intangible assets, non-deductible	0.9
Acquired in-process research and development, non-deductible	0.2
Acquired net tangible assets	0.4
Acquired debt	(1.5)
Deferred income taxes recorded at acquisition	(0.3)
Total allocation of fair value	$ 1.4

Acquired intangible assets consist of established customer relationships, developed technology and trade names and will be amortized over 2 to 30 years (average of 15 years). Acquired in-process research and development will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation. The net tangible assets acquired consist primarily of trade accounts receivable, inventory, property and equipment and other assets, net of assumed liabilities, primarily trade accounts payable, accrued compensation and other liabilities. Abbott incurred approximately $89 million of acquisition-related expenses in 2009 which are classified as Selling, general and administrative expense. In addition, subsequent to the acquisition, Abbott repaid substantially all of the acquired debt of AMO.

In October 2009, Abbott acquired 100 percent of Visiogen, Inc. for $400 million, in cash, providing Abbott with a next-generation accommodating intraocular lens (IOL) technology to address presbyopia for cataract patients. The preliminary allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $195 million which will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $33 million, goodwill of approximately $260 million and deferred income taxes of approximately $89 million. Acquired intangible assets consist of developed technology and will be amortized over 12 years. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

In October 2009, Abbott acquired Evalve, Inc. for $320 million, in cash, plus an additional payment of $90 million to be made upon completion of certain regulatory milestones. Abbott acquired Evalve to obtain a presence in the growing area of non-surgical treatment for structural heart disease. Including a previous investment in Evalve, Abbott has acquired 100 percent of the outstanding shares of Evalve. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $28 million of income, which is reported as Other (income) expense, net. The preliminary allocation of the fair value of the acquisition resulted

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in non-deductible definite-lived intangible assets of approximately $145 million, non-deductible acquired in-process research and development of approximately $228 million which will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, goodwill of approximately $158 million and deferred income taxes of approximately $136 million. Acquired intangible assets consist of developed technology and will be amortized over 12 years. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

In January 2009, Abbott acquired Ibis Biosciences, Inc. (Ibis) for $175 million, in cash, to expand Abbott's position in molecular diagnostics for infectious disease. Including a $40 million investment in Ibis in 2008, Abbott has acquired 100 percent of the outstanding shares of Ibis. A substantial portion of the fair value of the acquisition has been allocated to goodwill and amortizable intangible assets, and acquired in-process research and development that will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation. The investment in Ibis in 2008 resulted in a charge to acquired in-process research and development. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $33 million of income, which is reported as Other (income) expense, net.

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

In December 2009, Abbott acquired the global rights to a novel biologic for the treatment of chronic pain for $170 million, in cash, resulting in a charge to acquired in-process research and development.

In September 2009, Abbott announced an agreement to acquire Solvay's pharmaceuticals business for EUR 4.5 billion (approximately $6.2 billion), in cash, plus additional payments of up to EUR 300 million if certain sales milestones are met. This acquisition will provide Abbott with a large and complementary portfolio of pharmaceutical products and a significant presence in key global emerging markets and will add approximately $500 million to Abbott's research and development spending. The transaction closed on February 15, 2010. Sales for the acquired business are forecast to be approximately $2.9 billion in 2010. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

Note 12 — Goodwill and Intangible Assets

Abbott recorded goodwill of approximately $2.2 billion in 2009 related to the acquisitions of Advanced Medical Optics, Inc., Ibis Biosciences, Inc., Visiogen, Inc. and Evalve, Inc. Goodwill of approximately $120 million related to the Ibis acquisition was allocated to the Diagnostic Products segment and goodwill of approximately $160 million related to the Evalve acquisition was allocated to the Vascular Products segment. In connection with the dissolution of the TAP Pharmaceutical Products Inc. (TAP) joint venture in 2008, Abbott recorded approximately $350 million of goodwill related to the Pharmaceutical Products segment. In 2008, Abbott paid $250 million to Boston Scientific as a result of the FDA's approval to market the *Xience V* drug-eluting stent in the U.S., resulting in an increase in goodwill in the Vascular Products segment. Abbott recorded goodwill of $53 million in 2007 related to acquisitions. Goodwill adjustments recorded in 2007 allocated to the Pharmaceutical Products segment amounted to $194 million and adjustments allocated to the Vascular Products segment amounted to $(141) million. Foreign currency translation and other adjustments increased (decreased) goodwill in 2009, 2008 and 2007 by $997 million, $(677) million and $627 million, respectively. The amount of goodwill related to reportable segments at December 31, 2009 was $6.7 billion for the Pharmaceutical Products segment, $206 million for the Nutritional Products segment, $385 million for the Diagnostic Products segment, and $2.7 billion for the Vascular Products segment. Goodwill was reduced by approximately $64 million in connection with the sale of Abbott's spine business in 2008. There were no other reductions of goodwill relating to impairments or disposal of all or a portion of a business.

The gross amount of amortizable intangible assets, primarily product rights and technology was $10.8 billion, $9.4 billion and $9.0 billion as of December 31, 2009, 2008 and 2007, respectively, and accumulated amortization was $5.1 billion, $4.2 billion and $3.3 billion as of December 31, 2009, 2008 and 2007, respectively. Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $610 million at December 31, 2009. The estimated annual amortization expense for intangible assets recorded at December 31, 2009 is approximately $899 million in 2010, $884 million in 2011, $865 million in 2012, $739 million in 2013 and $656 million in 2014. Amortizable intangible assets are amortized over 2 to 30 years (average 11 years).

Note 13 — Restructuring Plans

In 2008, Abbott management approved a plan to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott's core diagnostic business. In 2008, Abbott recorded a charge to Cost of products sold of approximately $129 million under the plan. Additional charges of approximately $54 million and $16 million were recorded in 2009 and 2008, respectively, relating to this restructuring, primarily for accelerated depreciation and product transfer costs. Additional charges will be incurred through 2011 as a result of product re-registration timelines required under manufacturing regulations in a number of countries and product transition timelines. The following summarizes the activity for this restructuring:

(dollars in millions)	
2008 restructuring charge	$129
Payments and other adjustments	(19)
Accrued balance at December 31, 2008	110
Payments and other adjustments	(12)
Accrued balance at December 31, 2009	$ 98

In 2009 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2009, 2008 and 2007, Abbott recorded charges of approximately $114 million, $36 million and $107 million, respectively, reflecting the

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impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $94 million in 2007 is classified as cost of products sold, $3 million in 2007 as research and development and $114 million, $36 million and $10 million in 2009, 2008 and 2007, respectively, as selling, general and administrative. Fair value for the determination of the amount of asset impairments was determined primarily based on a discounted cash flow method. An additional $47 million, $81 million and $90 million were subsequently recorded in 2009, 2008 and 2007, respectively, relating to these restructurings, primarily for accelerated depreciation. In addition, Abbott implemented facilities restructuring plans in 2007 related to the acquired operations of Kos Pharmaceuticals Inc. which resulted in an increase to goodwill of approximately $52 million. The following summarizes the activity for these restructurings:

(dollars in millions)	
Accrued balance at January 1, 2007	$ 193
2007 restructuring charges	159
Payments, impairments and other adjustments	(158)
Accrued balance at December 31, 2007	194
2008 restructuring charges	36
Payments, impairments and other adjustments	(125)
Accrued balance at December 31, 2008	105
2009 restructuring charges	114
Payments and other adjustments	(74)
Accrued balance at December 31, 2009	$ 145

Note 14 — Subsequent Events

As of the beginning of 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. As a result, beginning in 2010, the U.S. dollar will be the functional currency for Abbott's operations in Venezuela. In January 2010, the Venezuelan government announced a devaluation of its bolivar currency relative to the U.S. dollar. Excluding the one-time balance sheet devaluation and local tax liability impact of approximately $110 million, Abbott does not expect the bolivar devaluation to have a significant impact on consolidated results of operations, financial position or cash flows.

In January 2010, Abbott suspended its sales of sibutramine in the European Union (EU) following the recommendation by the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA). Abbott reflected the 2009 impact of the suspension, primarily related to inventory exposures, in its 2009 results. Abbott does not expect the suspension of EU sibutramine sales to have a significant impact on consolidated results of operations, financial position or cash flows.

The judgment entered by the U.S. District Court for the Eastern District of Texas against Abbott in its litigation with New York University and Centocor, Inc. requires Abbott to secure the judgment in the event that its appeal to the Federal Circuit court is unsuccessful in overturning the district court's decision. Abbott expects to deposit approximately $1.8 billion with an escrow agent during the first quarter of 2010 and will consider these assets to be restricted.

Note 15 — Quarterly Results (Unaudited)

(dollars in millions except per share data)	2009	2008	2007
First Quarter			
Net Sales	$6,718.4	$6,765.6	$5,945.5
Gross Profit	3,782.4	3,804.5	3,353.5
Net Earnings	1,438.6	937.9	697.6
Basic Earnings Per Common Share (a)	.93	.61	.45
Diluted Earnings Per Common Share (a)	.92	.60	.45
Market Price Per Share-High	57.39	61.09	57.26
Market Price Per Share-Low	44.10	50.09	48.75
Second Quarter			
Net Sales	$7,494.9	$7,314.0	$6,370.6
Gross Profit	4,365.9	4,194.4	3,566.3
Net Earnings	1,288.1	1,322.0	988.7
Basic Earnings Per Common Share (a)	.83	.86	.64
Diluted Earnings Per Common Share (a)	.83	.85	.63
Market Price Per Share-High	48.37	57.04	59.50
Market Price Per Share-Low	41.27	50.09	52.80
Third Quarter			
Net Sales	$7,761.3	$7,497.7	$6,376.7
Gross Profit	4,401.2	4,144.8	3,512.7
Net Earnings	1,480.4	1,084.6	717.0
Basic Earnings Per Common Share (a)	.95	.70	.46
Diluted Earnings Per Common Share (a)	.95	.69	.46
Market Price Per Share-High	49.69	60.78	56.91
Market Price Per Share-Low	43.45	52.63	49.58
Fourth Quarter			
Net Sales	$8,790.1	$7,950.3	$7,221.4
Gross Profit	5,005.9	4,771.9	4,059.7
Net Earnings	1,538.7	1,536.2	1,203.0
Basic Earnings Per Common Share (a)	.99	.99	.78
Diluted Earnings Per Common Share (a)	.98	.98	.77
Market Price Per Share-High	54.97	59.93	59.48
Market Price Per Share-Low	48.41	45.75	50.51

(a) The sum of the quarters' basic earnings per share for 2009 and 2007 and the sum of the quarters' diluted earnings per share for 2009 do not add to the full year earnings per share amounts due to rounding.

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, 2009. In making this assessment, it used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As allowed by SEC guidance, management excluded from its assessment Abbott Medical Optics which was acquired in 2009 and accounted for approximately 7 percent of consolidated total assets and 3 percent of consolidated net sales as of and for the year ended December 31, 2009. Based on our assessment, we believe that, as of December 31, 2009, 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 59.

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

Thomas C. Freyman
Executive Vice President, Finance and Chief Financial Officer

Greg W. Linder
Vice President and Controller

February 19, 2010

Reports of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2009, 2008, and 2007, and the related consolidated statements of earnings, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, 2008, and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the consolidated financial statements, the Company adopted the provisions of a new accounting standard relating to business combinations in 2009.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP
Chicago, Illinois
February 19, 2010

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the internal control over financial reporting of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management Report on Internal Control Over Financial Reporting, management excluded from its assessment Abbott Medical Optics which was acquired in 2009 and accounted for approximately 7% of consolidated total assets and approximately 3% of consolidated net sales as of and for the year ended December 31, 2009. Accordingly, our audit did not include the internal control over financial reporting at Abbott Medical Optics. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2009 and our report dated February 19, 2010 expresses an unqualified opinion on those financial statements and includes an explanatory paragraph regarding the Company's adoption of a new accounting standard in 2009.

Deloitte & Touche LLP
Chicago, Illinois
February 19, 2010

Financial Instruments and Risk Management

Investment in Boston Scientific Note Receivable

At December 31, 2009 and 2008, Abbott has a $900 million loan to a wholly-owned subsidiary of Boston Scientific which is payable to Abbott in April 2011 and, as such, is subject to credit risk.

Other Market Price Sensitive Investments

Abbott holds available-for-sale equity securities from strategic technology acquisitions. The market value of these investments was approximately $75 million and $105 million, respectively, as of December 31, 2009 and 2008. 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 value occurs. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2009 by approximately $15 million. (A 20 percent decrease is believed to be a reasonably possible near-term change in share prices.)

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 $78 million and $42 million as of December 31, 2009 and 2008, respectively. No individual investment is in excess of $18 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 value occurs.

Interest Rate Sensitive Financial Instruments

At December 31, 2009 and 2008, Abbott had interest rate hedge contracts totaling $5.5 billion and $2.5 billion, respectively, to manage its exposure to changes in the fair value of debt due in 2011 through 2019. The effect of these hedges is to change the fixed interest rate to a variable rate. 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. At December 31, 2009, Abbott had $2.9 billion of domestic commercial paper outstanding with an average annual interest rate of 0.1% with an average remaining life of 22 days. The fair value of long-term debt at December 31, 2009 and 2008 amounted to $12.3 billion and $10.5 billion, respectively (average interest rates of 5.3% and 5.2%, respectively) with maturities through 2039. At December 31, 2009 and 2008, the fair value of current and long-term investment securities amounted to $2.1 billion and $1.8 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2009 and 2008, Abbott held $7.5 billion and $8.3 billion, respectively, of such contracts, which mature in the next twelve months.

In addition, certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in 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 months. At December 31, 2009 and 2008, Abbott held $2.0 billion and $129 million, respectively, of such contracts, which all mature in the following calendar year.

Abbott has designated foreign denominated short-term debt of approximately $575 million and approximately $585 million as of December 31, 2009 and 2008, respectively, as a hedge of the net investment in certain foreign subsidiaries. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2009 and 2008:

	2009			2008		
(dollars in millions)	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$4,045	1.482	$(20)	$3,963	1.286	$ 3
British Pound	1,246	1.658	(2)	1,208	1.553	(31)
Japanese Yen	2,057	89.8	(46)	1,788	99.6	54
Canadian Dollar	448	1.064	(4)	163	1.240	3
All other currencies	1,714	N/A	(11)	1,254	N/A	19
Total	$9,510		$(83)	$8,376		$ 48

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 or by a pharmacy benefit manager 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 prescription pharmaceuticals, nutritional products, diagnostic testing products and vascular products. Sales in international markets are approximately 50 percent of consolidated net sales.

The worldwide launch of additional indications for *HUMIRA*, the conclusion of the TAP Pharmaceutical Products Inc. joint venture, the acquisitions of Advanced Medical Optics, Inc., Kos Pharmaceuticals Inc. and Guidant's vascular intervention and endovascular solutions businesses, followed by the launch of the *Xience V* drug eluting stent, the loss of patent protection for some pharmaceutical products, the amendment ending the U.S. *Synagis* co-promotion agreement, and realized gains and unrealized losses on the Boston Scientific common stock have impacted Abbott's sales, costs and financial position over the last three years.

Pharmaceutical research and development is focused on therapeutic areas that include immunology, oncology, neuroscience, pain management and infectious diseases. In 2003, Abbott began the worldwide launch of *HUMIRA* for rheumatoid arthritis, followed by launches for five additional indications, which increased *HUMIRA's* worldwide sales to $5.5 billion in 2009 compared to $4.5 billion in 2008, and $3.0 billion in 2007. Abbott forecasts worldwide *HUMIRA* sales to increase by approximately 20 percent in 2010. Abbott is studying additional indications for *HUMIRA*. Substantial research and development and selling support has been and continues to be dedicated to maximizing the worldwide potential of *HUMIRA*. In December 2006, Abbott acquired Kos Pharmaceuticals Inc. which complemented Abbott's existing franchise in the dyslipidemia market and strengthened the pharmaceutical pipeline for cholesterol management. Abbott's *Trilipix*, a next-generation product for management of triglycerides and the first product approved for use in combination with a statin was launched in 2008. Increased generic competition has resulted in worldwide *Depakote* sales declining from $1.6 billion in 2007 to $426 million in 2009, U.S. sales of *Omnicef* declining from $235 million in 2007 to $3 million in 2009 and worldwide sales of clarithromycin declining from $724 million in 2007 to $599 million in 2009.

In 2007, Abbott's nutritional products businesses were reorganized into a worldwide business to better leverage the opportunities available for strong nutritional brands. Significant efforts have been focused on capturing those opportunities, particularly in developing markets where growth has been strong.

In 2008, Abbott received FDA approval to market the *Xience V* drug eluting stent in the U.S. and in 2006 received European Union approval. *Xience V* became the market-leading drug eluting stent in the U.S. in the fourth quarter of 2008. In June 2009, *Xience PRIME*, Abbott's next generation drug eluting stent, received CE Mark approval and was launched in Europe in August 2009. Abbott received approval to market *Xience V* in Japan in January 2010.

In April 2006, Abbott acquired 64.6 million shares of Boston Scientific in connection with Abbott's acquisition of the vascular intervention and endovascular solutions businesses of Guidant. In 2007, the net loss charged to expense for the investment was $153 million. At December 31, 2007, Abbott held 26.4 million shares of Boston Scientific common stock. In 2008, all of these shares were sold resulting in a small gain.

Abbott's short- and long-term debt totaled $16.5 billion at December 31, 2009, largely incurred to finance recent acquisitions. Operating cash flows in excess of capital expenditures and cash dividends have partially funded acquisitions over the last three years. At December 31, 2009, Abbott's long-term debt rating was AA by Standard and Poor's Corporation and A1 by Moody's Investors Service. Abbott's access to short-term financing was not affected by the credit market conditions in 2008 and early 2009.

In April 2008, Abbott and Takeda concluded their TAP Pharmaceutical Products Inc. (TAP) joint venture, evenly splitting the value and assets of the joint venture in a tax-free exchange. Abbott received TAP's *Lupron* business in exchange for Abbott's 50 percent ownership in TAP. *Lupron's* U.S. results are included in the Pharmaceutical Products segment beginning in May 2008. Abbott also receives payments based on specified development, approval and commercial events being achieved with respect to products retained by Takeda and payments from Takeda based on sales of products retained by Takeda.

In 2010, Abbott will focus on several key initiatives. In the pharmaceutical business, Abbott will continue to build its global presence, expand its presence in emerging markets and diversify its sources of growth with its previously announced acquisition of Solvay's pharmaceuticals business, which closed on February 15, 2010. Abbott will also continue maximizing the market potential for *HUMIRA* and continue to leverage the product and pipeline opportunities of its lipid franchise, including Certriad, which is expected to receive approval in the first half of 2010. Pharmaceutical research and development efforts will continue to focus on the therapeutic areas noted above with a significant portion of the development expenditures allocated to compounds in early and mid-stage development for oncology, immunology, Hepatitis C, neuroscience, and pain management. Such compounds include two oncology compounds in advanced clinical trials, ABT-874 (a biologic for psoriasis), three HCV compounds in human studies, and two compounds in Phase II clinical trials for Alzheimer's disease. In the vascular business, Abbott launched the *Xience V* drug-eluting stent in Japan after receiving approval in January 2010, and will also focus on marketing *Xience PRIME* in Europe and other markets as well as development of *Xience PRIME* in the U.S. and its bioabsorbable stent. In the other business segments, Abbott will focus on developing or acquiring differentiated technologies in higher growth segments of those markets.

Critical Accounting Policies

Sales Rebates – Approximately 50 percent of Abbott's consolidated gross revenues are subject to various forms of rebates and allowances that Abbott records as reductions of revenues at the time of sale. Most of these rebates and allowances are in the Pharmaceutical Products segment and the Nutritional Products segment. Abbott provides rebates to pharmacy benefit management companies, state agencies that administer the federal Medicaid program, insurance

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companies that administer Medicare drug plans, 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 two to 24 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 2009, 2008 and 2007 amounted to approximately $4.4 billion, $3.8 billion and $3.2 billion, respectively, or 23.8 percent, 22.8 percent and 21.5 percent, respectively, based on gross sales of approximately $18.4 billion, $16.8 billion and $15.0 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 $184 million in 2009. 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 $414 million, $362 million and $325 million for cash discounts in 2009, 2008 and 2007, respectively, and $456 million, $439 million and $269 million for returns in 2009, 2008 and 2007, 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 addition, internal processing time is a factor in estimating the accrual. 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, 2009, Abbott had the exclusive WIC business in 24 states.

In the domestic pharmaceutical business, the most significant charges against gross sales are for Medicaid and Medicare Rebates, Pharmacy Benefit Manager Rebates and Wholesaler Chargebacks. In order to evaluate the adequacy of the ending accrual balances, management uses both internal and external data to estimate the level of inventory in the distribution channel and the rebate claims processing lag time. External data sources used to estimate the inventory in the distribution channel include inventory levels periodically reported by wholesalers and third party market data purchased by Abbott. Management estimates the processing lag time based on periodic sampling of claims data. To estimate the price rebate percentage, systems and calculations are used to track sales by product by customer and to estimate the contractual or statutory price. Abbott's systems and calculations have developed over time as rebates have become more significant, and Abbott believes they are reliable.

The following table is an analysis of the four largest rebate accruals, which comprise approximately 67 percent of the consolidated rebate provisions charged against revenues in 2009. Remaining rebate provisions charged against gross sales are not significant in the determination of operating earnings.

		Domestic Pharmaceutical Products		
(dollars in millions)	Domestic Nutritionals WIC Rebates	Medicaid and Medicare Rebates	Pharmacy Benefit Manager Rebates	Wholesaler Charge-backs
Balance at January 1, 2007	$ 136	$ 485	$ 220	$ 87
Provisions	754	438	412	786
Payments	(691)	(503)	(395)	(781)
Balance at December 31, 2007	199	420	237	92
Provisions	808	556	397	1,034
Payments	(845)	(681)	(406)	(980)
Balance at December 31, 2008	162	295	228	146
Provisions	747	563	505	1,134
Payments	(756)	(506)	(494)	(1,120)
Balance at December 31, 2009	$ 153	$ 352	$ 239	$ 160

Historically, adjustments to prior years' rebate accruals have not been material to net income. In 2007, adjustments were made to prior years' rebate accruals. The Medicaid and Medicare rebate accrual was reduced by approximately $69 million and the WIC rebate accrual was increased by approximately $19 million. 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 Medicaid, Medicare and other 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 are often very

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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 2005 are settled, and the income tax returns for years after 2005 are open. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries.

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 is 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 decades, can be significant in relation to the obligations and the annual cost recorded for these programs. Negative asset returns in 2008 due to poor market conditions and low interest rates have significantly increased actuarial losses for these plans. At December 31, 2009, 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 $2.7 billion and $501 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 5 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. 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, the 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 an impairment occurs. At December 31, 2009, goodwill and intangibles amounted to $13.2 billion and $6.3 billion, respectively, and amortization expense for intangible assets amounted to $879 million in 2009. There were no impairments of goodwill in 2009, 2008 or 2007.

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. Except for the cases discussed in Note 8 for which Abbott is unable to estimate a loss, if any, Abbott estimates the range of possible loss to be from approximately $170 million to $310 million for its legal proceedings and environmental exposures. Reserves of approximately $215 million have been recorded at December 31, 2009 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Stock Compensation — Abbott records the fair value of stock options in its results of operations. Since there is no market for trading employee stock options, management must use a fair value method. There is no certainty that the results of a fair value method would be the value at which employee stock options would be traded for cash. Fair value methods require management to make several assumptions, the most significant of which are the selection of a fair value model, stock price volatility and the average life of an option. Abbott has readily available grant-by-grant historical activity for several years in its option administration system that it uses in developing some of its assumptions. Abbott uses the Black-Scholes method to value stock options. Abbott uses both historical volatility of its stock price and the implied volatility of traded options to develop the volatility assumptions. Abbott uses the historical grant activity, combined with expectations about future exercise activity, to develop the average life assumptions. Abbott has also used the historical grant data to evaluate whether certain holders of stock options exercised their options differently than other holders and has not found any differentiating pattern among holders.

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Results of Operations

Sales

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

	Total % Change	Components of Change %		
		Price	Volume	Exchange
Total Net Sales				
2009 vs. 2008	4.2	(0.1)	8.3	(4.0)
2008 vs. 2007	13.9	1.4	9.3	3.2
2007 vs. 2006	15.3	1.2	10.9	3.2
Total U.S.				
2009 vs. 2008	0.4	(0.3)	0.7	—
2008 vs. 2007	10.1	3.4	6.7	—
2007 vs. 2006	12.0	4.0	8.0	—
Total International				
2009 vs. 2008	7.7	0.2	15.1	(7.6)
2008 vs. 2007	17.8	(0.5)	12.0	6.3
2007 vs. 2006	18.8	(1.7)	14.0	6.5
Pharmaceutical Products Segment				
2009 vs. 2008	(1.3)	(0.1)	3.0	(4.2)
2008 vs. 2007	14.2	1.9	9.1	3.2
2007 vs. 2006	18.0	2.4	12.3	3.3
Nutritional Products Segment				
2009 vs. 2008	7.3	1.5	8.6	(2.8)
2008 vs. 2007	12.2	3.4	6.9	1.9
2007 vs. 2006	1.7	1.4	(1.4)	1.7
Diagnostic Products Segment				
2009 vs. 2008	0.1	1.4	3.7	(5.0)
2008 vs. 2007	13.2	1.3	6.8	5.1
2007 vs. 2006	11.1	(0.6)	7.0	4.7
Vascular Products Segment				
2009 vs. 2008	20.1	(2.9)	26.0	(3.0)
2008 vs. 2007	34.7	(4.6)	35.8	3.5
2007 vs. 2006	53.8	(4.7)	55.4	3.1

Worldwide sales growth in 2009 reflects unit growth and the acquisition of Advanced Medical Optics, Inc. on February 25, 2009, partially offset by the negative effect of the relatively stronger U.S. dollar. Worldwide, U.S. and Pharmaceutical Products segment sales also reflect decreased sales of *Depakote* due to generic competition. Excluding U.S. *Depakote* sales in 2009 and 2008, worldwide sales increased 7.7 percent, U.S. sales increased 7.6 percent and Pharmaceutical Products segment sales increased 4.3 percent. Worldwide 2008 sales growth reflects unit growth and the positive effect of the relatively weaker U.S. dollar. Worldwide 2007 sales growth reflects the acquisitions of Guidant's vascular intervention and endovascular solutions businesses on April 21, 2006 and Kos Pharmaceuticals Inc. in the fourth quarter of 2006. Sales growth in 2007 for the Nutritional Products segment reflects the completion of the U.S. co-promotion of *Synagis* in 2006. Excluding sales of *Synagis* in 2006, Nutritional Products segment sales increased 11.3 percent in 2007.

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

(dollars in millions)	2009	Percent Change	2008	Percent Change	2007	Percent Change
Pharmaceuticals —						
U.S. Specialty	$4,676	(10)	$5,211	20	$4,349	24
U.S. Primary Care	3,043	(2)	3,102	(1)	3,139	23
International Pharmaceuticals	7,861	6	7,399	23	6,002	16
Nutritionals —						
U.S. Pediatric Nutritionals	1,306	3	1,268	3	1,233	9
International Pediatric Nutritionals	1,543	12	1,374	26	1,093	22
U.S. Adult Nutritionals	1,269	9	1,162	8	1,077	2
International Adult Nutritionals	1,106	3	1,070	13	947	15
Diagnostics —						
Immunochemistry	2,798	(2)	2,843	13	2,517	11

Decreased sales of *Depakote* due to generic competition impacted U.S. Specialty product sales in 2009 and 2008. This was partially offset by increased sales of *HUMIRA* and by the addition of *Lupron* sales from the conclusion of the TAP joint venture in April 2008. Increased sales of *HUMIRA* and *Depakote* impacted U.S. Specialty product sales in 2007. U.S. sales of *HUMIRA* were $2.5 billion, $2.2 billion and $1.6 billion in 2009, 2008 and 2007, respectively, and U.S. sales of *Depakote* were $331 million, $1.3 billion and $1.5 billion in 2009, 2008 and 2007, respectively. U.S. Primary Care sales in all three years were impacted by decreased sales of *Omnicef*, *Synthroid* and *Biaxin* due to generic competition. This was partially offset in 2009 and 2008 by increased sales of *Niaspan* and in 2008 by higher *TriCor*/*Trilipix* franchise sales. U.S. Primary Care sales in 2007 were favorably impacted by sales of *TriCor* and *Niaspan*, a new product from the acquisition of Kos Pharmaceuticals Inc. in the fourth quarter of 2006. Increased sales volume of *HUMIRA* in all three years favorably impacted International Pharmaceuticals sales, partially offset by decreased sales of clarithromycin in 2009 and 2008 due to generic competition. International sales of *HUMIRA* were $3.0 billion, $2.3 billion and $1.4 billion in 2009, 2008 and 2007, respectively. The relatively stronger U.S. dollar decreased International Pharmaceutical sales in 2009 by 8.6 percent and the relatively weaker U.S. dollar increased International Pharmaceutical sales in 2008 and 2007 by 7.3 percent and 7.1 percent, respectively. International

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Pediatric Nutritionals sales increases were due primarily to volume growth in developing countries. International Adult Nutritionals sales and Immunochemistry sales in 2009 were negatively impacted by the effect of the relatively stronger U.S. dollar. 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 $120 million, $111 million and $184 million in 2009, 2008 and 2007, respectively.

The expiration of licenses, patent protection and generic competition can affect the future revenues and operating income of Abbott. There are currently no significant patent or license expirations in the next three years.

Operating Earnings

Gross profit margins were 57.1 percent of net sales in 2009, 57.3 percent in 2008 and 55.9 percent in 2007. The decrease in the gross profit margin in 2009 was due, in part, to the negative impact from lower sales of *Depakote* and the unfavorable effect of exchange on the gross profit margin ratio; partially offset by improved margins in the vascular and diagnostics businesses. The increase in the gross profit margin in 2008 was due, in part, to favorable product mix and the favorable impact of foreign exchange. The decrease in the gross profit margin in 2007 was due, in part, to the unfavorable impact in 2007 of the completion of the U.S. co-promotion of *Synagis* in 2006 as well as generic competition for *Omnicef* and *Biaxin* sales in 2007.

In the U.S., states receive price rebates from manufacturers of infant formula under the federally subsidized Special Supplemental Nutrition Program for Women, Infants, and Children. There are also rebate programs for pharmaceutical products. These rebate programs continue to have a negative effect on the gross profit margins of the Nutritional and Pharmaceutical Products segments.

Research and development expense was $2.744 billion in 2009, $2.689 billion in 2008 and $2.506 billion in 2007 and represented increases of 2.0 percent in 2009, 7.3 percent in 2008 and 11.1 percent in 2007. The increase in 2009 reflects the favorable effect of exchange rates which reduced research and development expense in 2009. Excluding the effect of exchange, research and development expenses increased 3.4 percent in 2009. The increase in 2007 was affected by the acquisitions of Guidant's vascular intervention and endovascular solutions businesses in April 2006 and Kos Pharmaceuticals Inc. in the fourth quarter of 2006. These increases, excluding the effects of exchange, also reflect continued pipeline spending, including programs in vascular devices, immunology, neuroscience, oncology, Hepatitis C and pain management. The majority of research and development expenditures are concentrated on pharmaceutical products.

Selling, general and administrative expenses decreased 0.4 percent in 2009 compared to increases of 13.9 percent in 2008 and 16.7 percent in 2007. The 2009 decrease reflects the favorable effect of exchange rates which was offset by expenses relating to the acquisition of Advanced Medical Optics, Inc. and the settlement of litigation. Excluding the effects of the charges and exchange, selling, general and administrative expenses increased 0.9 percent in 2009. The 2008 increase reflects the settlement of litigation relating to *TriCor*, which increased selling, general and administration expenses by 3.1 percentage points. The 2007 increase reflects the acquisitions of Guidant's vascular intervention and endovascular solutions businesses and Kos Pharmaceuticals Inc. The remaining increases in selling, general and administrative expenses were due primarily to increased selling and marketing support for new and existing products, including continued spending for *HUMIRA* and *Xience V*, and inflation.

Conclusion of TAP Pharmaceutical Products Inc. Joint Venture and Sale of Abbott's Spine Business

On April 30, 2008, Abbott and Takeda concluded their TAP Pharmaceutical Products Inc. (TAP) joint venture, evenly splitting the value and assets of the joint venture. Abbott exchanged its 50 percent equity interest in TAP for the assets, liabilities and employees related to TAP's *Lupron* business. Subsequent to the conclusion of the joint venture, TAP was merged into two Takeda entities. The exchange of Abbott's investment in TAP for TAP's *Lupron* business resulted in a gain at closing of approximately $94 million. The Internal Revenue Service has issued a private letter ruling that the transaction qualifies as tax-free for U.S. income tax purposes.

Beginning on May 1, 2008, Abbott began recording U.S. *Lupron* net sales and costs in its operating results and no longer records income from the TAP joint venture. TAP's sales of *Lupron* were $182 million for the four months ended April 30, 2008 and $645 million in 2007. Abbott also receives payments based on specified development, approval and commercial events being achieved with respect to products retained by Takeda and payments from Takeda based on sales of products retained by Takeda, which are recorded by Abbott as Other (income) expense, net as earned.

The exchange transaction was accounted for as a sale of Abbott's equity interest in TAP and as an acquisition of TAP's *Lupron* business. The sale of Abbott's equity interest in TAP resulted in the recording of net assets related to the *Lupron* business, primarily cash, receivables, inventory and other assets, net of accounts payable and other accrued liabilities, offset by a credit to Abbott's investment in TAP in the amount of approximately $280 million.

For the acquired *Lupron* business, Abbott recorded intangible assets, primarily *Lupron* product rights, of approximately $700 million, goodwill of approximately $350 million and deferred tax liabilities related primarily to the intangible assets of approximately $260 million. The intangible assets are being amortized over 15 years. Abbott has also agreed to remit cash to Takeda if certain research and development events are not achieved on the development assets retained by Takeda. These amounts were recorded as a liability at closing in the amount of approximately $1.1 billion. Related deferred tax assets of approximately $410 million were also recorded. Of the $1.1 billion, Abbott made tax-deductible payments of $83 million and $200 million in 2009 and 2008, respectively, and Abbott will make a tax-deductible payment of approximately $36 million in 2010. In 2009, events occurred resulting in the remaining payments not being required and the remaining liability in the amount of $797 million was derecognized and recorded as income in Other (income) expense, net.

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The 50 percent-owned joint venture was accounted for under the equity method of accounting. Summarized financial information for TAP follows below. The results for 2008 include results through April 30.

(dollars in millions)

Year Ended December 31	2008	2007
Net sales	$853	$3,002
Cost of sales	229	720
Income before taxes	356	1,564
Net income	238	996

In the fourth quarter of 2008, Abbott sold its spine business for approximately $360 million in cash, resulting in an after-tax gain of approximately $147 million which is presented as Gain on sale of discontinued operations, net of taxes, in the accompanying statement of income. The operations and financial position of the spine business are not presented as discontinued operations because the effects would not be significant.

Restructurings

In 2008, Abbott management approved a plan to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott's core diagnostic business. In 2008, Abbott recorded a charge to Cost of products sold of approximately $129 million under the plan. Additional charges of approximately $54 million and $16 million were recorded in 2009 and 2008, respectively, relating to this restructuring, primarily for accelerated depreciation and product transfer costs. Additional charges will be incurred through 2011 as a result of product re-registration timelines required under manufacturing regulations in a number of countries and product transition timelines. The following summarizes the activity for this restructuring:

(dollars in millions)

2008 restructuring charge	$129
Payments and other adjustments	(19)
Accrued balance at December 31, 2008	110
Payments and other adjustments	(12)
Accrued balance at December 31, 2009	$ 98

In 2009 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2009, 2008 and 2007, Abbott recorded charges of approximately $114 million, $36 million and $107 million, respectively, reflecting the impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $94 million in 2007 is classified as cost of products sold, $3 million in 2007 as research and development and $114 million, $36 million and $10 million in 2009, 2008 and 2007, respectively, as selling, general and administrative. Fair value for the determination of the amount of asset impairments was determined primarily based on a discounted cash flow method. An additional $47 million, $81 million and $90 million were subsequently recorded in 2009, 2008 and 2007, respectively, relating to these restructurings, primarily for accelerated depreciation.

In addition, Abbott implemented facilities restructuring plans in 2007 related to the acquired operations of Kos Pharmaceuticals Inc. which resulted in an increase to goodwill of approximately $52 million. The following summarizes the activity for these restructurings:

(dollars in millions)

Accrued balance at January 1, 2007	$ 193
2007 restructuring charges	159
Payments, impairments and other adjustments	(158)
Accrued balance at December 31, 2007	194
2008 restructuring charges	36
Payments, impairments and other adjustments	(125)
Accrued balance at December 31, 2008	105
2009 restructuring charges	114
Payments and other adjustments	(74)
Accrued balance at December 31, 2009	$ 145

Interest expense and Interest (income)

In 2009 and 2008, interest expense decreased primarily as a result of lower interest rates, partially offset by increased debt levels in 2009 related to the acquisition of Advanced Medical Optics, Inc. Interest expense increased in 2007 due primarily to higher borrowings as a result of the acquisitions of Guidant's vascular intervention and endovascular solutions businesses and Kos Pharmaceuticals Inc. and Abbott's investment in the Boston Scientific common stock and note receivable. Interest income decreased in 2009 due to lower interest rates and increased in 2008 and 2007 due to higher investment balances.

Other (income) expense, net

Other (income) expense, net, for 2009 includes the derecognition of a contingent liability of $797 million associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture as discussed above, a $287 million gain from the settlement reached between Abbott and Medtronic, Inc. resolving all outstanding intellectual property litigation between the two parties and income from the recording of certain investments at fair value in connection with business acquisitions. Other (income) expense, net, for 2009 and 2008 also includes ongoing contractual payments from Takeda associated with the conclusion of the TAP joint venture and a gain in 2008 on the sale of an equity investment accounted for as an available-for-sale investment. In addition, Abbott recorded a gain of approximately $94 million in connection with the dissolution of the TAP joint venture in 2008. Other (income) expense, net for 2007 includes a $190 million fair market value loss adjustment to Abbott's investment in Boston Scientific common stock and a realized gain of $37 million on the sales of Boston Scientific common stock.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 20.1 percent in 2009, 19.2 percent in 2008 and 19.3 percent in 2007. The tax rate in 2009 was effected by a higher tax rate applied to the derecognition of a contingent liability associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture and the Medtronic intellectual property litigation settlement. Abbott expects to apply an annual effective rate of between 16 percent and 16.5 percent in 2010.

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Business Combinations, Technology Acquisitions and Related Transactions

On January 1, 2009, Abbott adopted the provisions of SFAS No. 141 (revised 2007), "Business Combinations," as codified in FASB ASC No. 805, "Business Combinations." Under ASC No. 805, acquired in-process research and development is accounted for as an indefinite-lived intangible asset until approval or discontinuation rather than as expense, acquisition costs in connection with an acquisition are expensed rather than added to the cost of an acquisition and the fair value of contingent consideration at the date of an acquisition is added to the cost of the acquisition.

In February 2009, Abbott acquired the outstanding shares of Advanced Medical Optics, Inc. (AMO) for approximately $1.4 billion in cash, net of cash held by AMO. Prior to the acquisition, Abbott held a small investment in AMO. Abbott acquired AMO to take advantage of increasing demand for vision care technologies due to population growth and demographic shifts and AMO's premier position in its field. Abbott acquired control of this business on February 25, 2009 and the financial results of the acquired operations are included in these financial statements beginning on that date. The acquisition was financed with long-term debt. The allocation of the fair value of the acquisition is shown in the table below:

(dollars in billions)	
Goodwill, non-deductible	$ 1.7
Acquired intangible assets, non-deductible	0.9
Acquired in-process research and development, non-deductible	0.2
Acquired net tangible assets	0.4
Acquired debt	(1.5)
Deferred income taxes recorded at acquisition	(0.3)
Total allocation of fair value	$ 1.4

Acquired intangible assets consist of established customer relationships, developed technology and trade names and will be amortized over 2 to 30 years (average of 15 years). Acquired in-process research and development will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation. The net tangible assets acquired consist primarily of trade accounts receivable, inventory, property and equipment and other assets, net of assumed liabilities, primarily trade accounts payable, accrued compensation and other liabilities. Abbott incurred approximately $89 million of acquisition-related expenses in 2009 which are classified as Selling, general and administrative expense. In addition, subsequent to the acquisition, Abbott repaid substantially all of the acquired debt of AMO.

In October 2009, Abbott acquired 100 percent of Visiogen, Inc. for $400 million, in cash, providing Abbott with a next-generation accommodating intraocular lens (IOL) technology to address presbyopia for cataract patients. The preliminary allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $195 million which will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $33 million, goodwill of approximately $260 million and deferred income taxes of approximately $89 million. Acquired intangible assets consist of developed technology and will be amortized over 12 years. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

In October 2009, Abbott acquired Evalve, Inc. for $320 million, in cash, plus an additional payment of $90 million to be made upon completion of certain regulatory milestones. Abbott acquired Evalve to obtain a presence in the growing area of percutaneous treatment for structural heart disease. Including a previous investment in Evalve, Abbott has acquired 100 percent of the outstanding shares of Evalve. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $28 million of income, which is reported as Other (income) expense, net. The preliminary allocation of the fair value of the acquisition resulted in non-deductible definite-lived intangible assets of approximately $145 million, non-deductible acquired in-process research and development of approximately $228 million which will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, goodwill of approximately $158 million and deferred income taxes of approximately $136 million. Acquired intangible assets consist of developed technology and will be amortized over 12 years. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

In January 2009, Abbott acquired Ibis Biosciences, Inc. (Ibis) for $175 million, in cash, to expand Abbott's position in molecular diagnostics for infectious disease. Including a $40 million investment in Ibis in 2008, Abbott has acquired 100 percent of the outstanding shares of Ibis. A substantial portion of the fair value of the acquisition has been allocated to goodwill and amortizable intangible assets, and acquired in-process research and development that will be accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation. The investment in Ibis in 2008 resulted in a charge to acquired in-process research and development. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $33 million of income, which is reported as Other (income) expense, net.

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

In December 2009, Abbott acquired the global rights to a novel biologic for the treatment of chronic pain for $170 million, in cash, resulting in a charge to acquired in-process research and development.

In September 2009, Abbott announced an agreement to acquire Solvay's pharmaceuticals business for EUR 4.5 billion (approximately $6.2 billion), in cash, plus additional payments of up to EUR 300 million if certain sales milestones are met. This acquisition will provide Abbott with a large and complementary portfolio of pharmaceutical products and a significant presence in key global emerging markets and will add approximately $500 million to Abbott's research and development spending. The transaction closed on February 15, 2010. Sales for the acquired business are forecast to be approximately $2.9 billion in 2010. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

Financial Condition

Cash Flow

Net cash from operating activities of continuing operations amounted to $7.3 billion, $7.0 billion and $5.2 billion in 2009, 2008 and 2007, respectively. Cash from operating activities of continuing operations in 2008 compared to 2007 is higher due to higher operating earnings,

Financial Review

decreased prepaid expenses and other assets, and increased trade accounts payable and other liabilities. Abbott funds its domestic pension plans according to IRS funding limitations. Abbott funded $700 million in 2009, and $200 million annually in 2008 and 2007 to the main domestic pension plan. Abbott expects pension funding for its main domestic pension plan of $200 million annually. 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, 2009, Abbott's long-term debt rating was AA by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $6.3 billion that support commercial paper borrowing arrangements of which a $3.3 billion facility expires in October 2010 and a $3.0 billion facility expires in 2012. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's access to short-term financing was not affected by the credit market conditions in 2008 and early 2009.

In October 2008, the board of directors authorized the purchase of up to $5 billion of Abbott's common shares from time to time. Under this authorization, 14.5 million shares were purchased in 2009 at a cost of approximately $800 million and 146,400 shares were purchased in 2008 at a cost of approximately $8 million. In 2008 and 2007, Abbott purchased approximately 19.0 million of its common shares in each period at a cost of approximately $1.1 billion and $1.0 billion, respectively, under a prior authorization.

Under a registration statement filed with the Securities and Exchange Commission in February 2009, Abbott issued $3.0 billion of long-term debt in the first quarter of 2009 that matures in 2019 and 2039 with interest rates of 5.125 percent and 6.0 percent, respectively. Proceeds from this debt were used to fund the acquisition of Advanced Medical Optics, Inc. and to repay debt of Advanced Medical Optics, Inc. In addition, Abbott repaid $1 billion of long-term notes that were due in 2009 using short-term borrowings. Under a registration statement filed with the Securities and Exchange Commission in February 2006, Abbott issued $3.5 billion of long-term debt in 2007 that matures in 2012 through 2037 with interest rates ranging from 5.15 percent to 6.15 percent. Proceeds from this debt were used to pay down short-term borrowings that were incurred to partially fund the acquisition of Kos Pharmaceuticals Inc.

The acquisition of Solvay's pharmaceuticals business on February 15, 2010 was funded with current cash and short-term investments.

The judgment entered by the U.S. District Court for the Eastern District of Texas against Abbott in its litigation with New York University and Centocor, Inc. requires Abbott to secure the judgment in the event that its appeal to the Federal Circuit court is unsuccessful in overturning the district court's decision. Abbott expects to deposit approximately $1.8 billion with an escrow agent during the first quarter of 2010 and will consider these assets to be restricted.

Working Capital

Working capital was $10.3 billion at December 31, 2009, $5.5 billion at December 31, 2008 and $4.9 billion at December 31, 2007. The increase in working capital in 2009 was due, primarily, to increased levels of cash and investments and the derecognition of a contingent liability associated with the conclusion of the TAP joint venture; partially offset by increased debt levels.

Capital Expenditures

Capital expenditures of $1.1 billion in 2009, $1.3 billion in 2008 and $1.7 billion in 2007 were principally for upgrading and expanding manufacturing, research and development, investments in information technology and administrative support facilities in all segments, and for laboratory instruments placed with customers.

Contractual Obligations

The following table summarizes Abbott's estimated contractual obligations as of December 31, 2009:

(dollars in millions)	Payment Due By Period				
	Total	2010	2011-2012	2013-2014	2015 and Thereafter
Long-term debt, including current maturities and future interest payments	$18,008	$ 816	$4,162	$1,743	$11,287
Operating lease obligations	484	99	152	101	132
Capitalized auto lease obligations	84	28	56	—	—
Purchase commitments (a)	3,307	3,118	159	23	7
Other long-term liabilities reflected on the consolidated balance sheet—					
Benefit plan obligations	2,981	—	479	420	2,082
Other	2,165	—	1,417	229	519
Total	$27,029	$4,061	$6,425	$2,516	$14,027

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

Contingent Obligations

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. 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

Financial Review

of certain events. In connection with the acquisition of Guidant's vascular intervention and endovascular solutions businesses, Abbott paid $250 million to Boston Scientific in January 2010 upon government approval to market the *Xience V* drug-eluting stent in Japan. In addition, Abbott has retained liabilities for taxes on income prior to the spin-off of Hospira and certain potential liabilities, if any, related to alleged improper pricing practices in connection with federal, state and private reimbursement for certain drugs.

Recently Issued Accounting Standards

In 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," as codified in FASB ASC No. 810, "Consolidation." FASB ASC No. 810 provides consolidation guidance relating to variable interest entities. These provisions are effective for fiscal years beginning after November 15, 2009. Adoption of these provisions is not expected to have a material effect on the results of operations or financial position of Abbott.

Legislative Issues

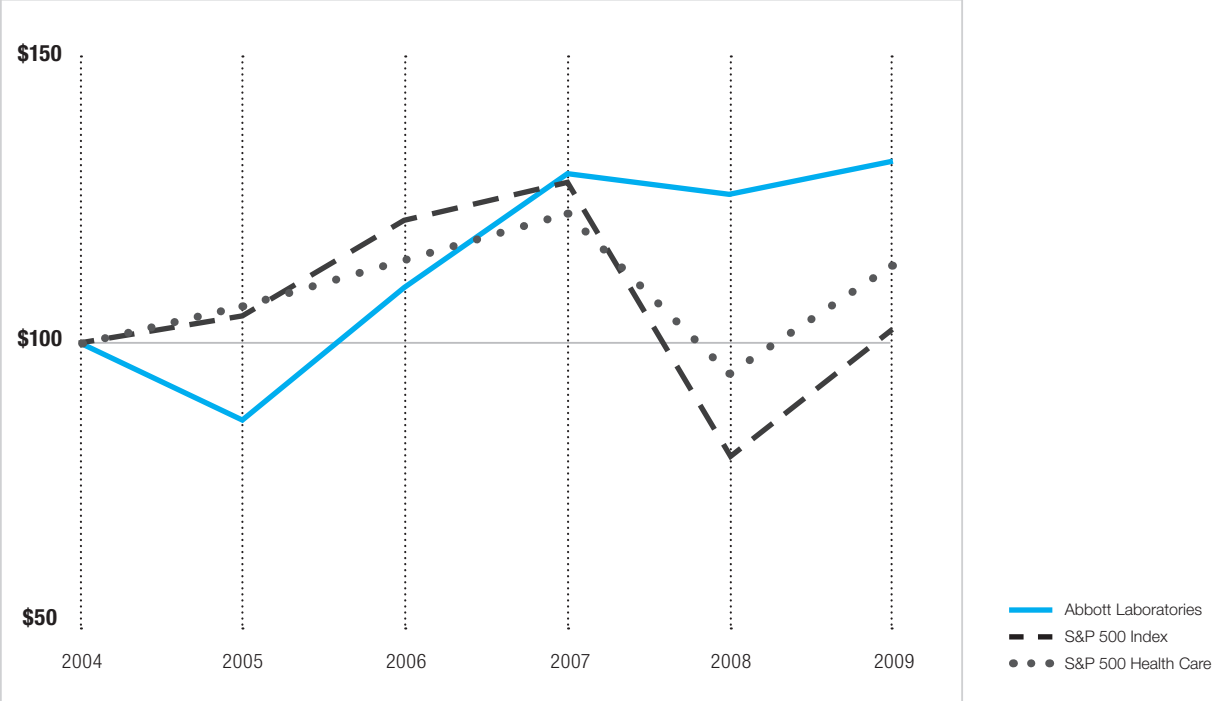
Abbott's primary markets are highly competitive and subject to substantial government regulation throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. Abbott believes that if legislation is enacted, it could change access to health care products and services, increase rebates, reduce prices or the rate of price increases for health care products and services, create new fees for the pharmaceutical 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 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, to the Annual Report on Form 10-K.

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, to the Annual Report on Form 10-K.

Performance Graph

The following graph compares the change in Abbott's cumulative total shareholder return on its common shares with the Standard & Poor's 500 Index and the Standard & Poor's 500 Health Care Index.



Assuming $100 invested on 12/31/04 with dividends reinvested.

Summary of Selected Financial Data

(dollars in millions, except per share data)

Year Ended December 31	2009	2008	2007	2006	2005	2004	2003	2002	2001
Summary of Operations:									
Net Sales	$30,764.7	29,527.6	25,914.2	22,476.3	22,337.8	19,680.0	17,280.3	15,279.5	13,918.5
Cost of products sold	$13,209.3	12,612.0	11,422.0	9,815.1	10,641.1	8,884.2	7,774.2	6,820.5	6,107.1
Research and development (a)	$ 2,743.7	2,688.1	2,505.6	2,255.3	1,821.2	1,696.8	1,623.8	1,474.5	1,491.8
Selling, general and administrative	$ 8,405.9	8,435.6	7,408.0	6,349.7	5,496.1	4,921.8	4,808.1	3,724.9	3,491.0
Operating earnings	$ 6,235.7	5,693.8	4,578.5	2,042.2	4,362.3	3,898.3	2,974.0	3,151.9	1,498.2
Interest expense	$ 519.7	528.5	593.1	416.2	241.4	200.2	188.3	238.9	307.3
Interest income	$ (137.8)	(201.2)	(136.8)	(123.8)	(87.7)	(51.1)	(41.9)	(33.5)	(71.4)
Other (income), net	$ (1,375.5)	(489.7)	(347.5)	(526.5)	(411.3)	(376.4)	(559.5)	(374.4)	(231.3)
Earnings from continuing operations before taxes	$ 7,193.8	5,856.3	4,469.6	2,276.4	4,619.9	4,125.6	3,387.2	3,321.0	1,493.6
Taxes on earnings from continuing operations	$ 1,447.9	1,122.1	863.3	559.6	1,247.9	949.8	882.4	774.0	215.9
Earnings from continuing operations	$ 5,745.8	4,734.2	3,606.3	1,716.8	3,372.1	3,175.8	2,504.7	2,547.0	1,277.7
Basic earnings per share from continuing operations	$ 3.71	3.06	2.34	1.12	2.17	2.03	1.60	1.63	0.82
Diluted earnings per share from continuing operations	$ 3.69	3.03	2.31	1.12	2.16	2.02	1.59	1.62	0.82
Financial Position:									
Working capital	$10,264.4	5,106.8	4,939.5	(669.3)	3,970.5	3,908.8	2,650.9	2,119.6	492.4
Long-term investments	$ 1,132.9	1,073.7	1,125.3	1,229.9	134.0	145.8	406.4	250.8	647.2
Net property and equipment	$ 7,619.5	7,219.2	7,518.1	6,946.4	6,003.1	6,007.9	6,281.8	5,828.1	5,551.5
Total assets	$52,416.6	42,419.2	39,713.9	36,178.2	29,141.2	28,767.5	26,039.3	23,592.7	22,755.5
Long-term debt	$11,266.3	8,713.3	9,487.8	7,009.7	4,571.5	4,787.9	3,452.3	4,274.0	4,335.5
Shareholders' investment	$22,898.7	17,518.7	17,823.9	14,054.2	14,415.3	14,325.8	13,072.3	10,664.6	9,059.4
Return on shareholders' investment from continuing operations	% 28.4	26.9	22.7	12.1	23.5	23.8	22.6	28.0	15.9
Book value per share	$ 14.76	11.26	11.47	9.14	9.37	9.18	8.36	6.82	5.83
Other Statistics:									
Gross profit margin	% 57.1	57.3	55.9	56.3	52.4	54.9	55.0	55.4	56.1
Research and development to net sales	% 8.9	9.1	9.7	10.0	8.2	8.6	9.4	9.7	10.7
Net cash from operating activities of continuing operations	$ 7,275.2	6,994.6	5,183.8	5,262.1	5,047.4	4,306.0	3,385.2	3,653.5	3,083.7
Capital expenditures	$ 1,089.0	1,287.7	1,656.2	1,337.8	1,207.5	1,291.6	1,050.1	1,105.4	963.6
Cash dividends declared per common share	$ 1.60	1.44	1.30	1.18	1.10	1.04	0.98	0.94	0.84
Common shares outstanding (in thousands)	1,551,168	1,552,433	1,549,910	1,537,243	1,539,235	1,560,024	1,564,518	1,563,068	1,554,530
Number of common shareholders	67,461	69,733	73,176	77,727	82,237	88,582	91,212	94,687	97,760
Number of employees	72,868	68,838	68,697	66,663	59,735	60,617	58,181	57,819	56,426
Sales per employee (in dollars)	$ 422,198	428,943	377,225	337,163	373,948	324,662	297,010	264,265	246,668
Market price per share – high	$ 57.39	61.09	59.50	49.87	50.00	47.63	47.15	58.00	57.17
Market price per share – low	$ 41.27	45.75	48.75	39.18	37.50	38.26	33.75	29.80	42.00
Market price per share – close	$ 53.99	53.37	56.15	48.71	39.43	46.65	46.60	40.00	55.75

(a) In 2009, 2006, 2005, 2004, 2003, 2002 and 2001 Abbott also recorded pretax charges of $170, $2,014, $17, $279, $100, $108 and $1,330, respectively, for acquired in-process research and development related to business acquisitions.

Directors and Corporate Officers

Directors

Robert J. Alpern, M.D.
Dean, Yale School of Medicine
New Haven, Conn.

Roxanne S. Austin
President and
Chief Executive Officer
Move Networks, Inc.
American Fork, Utah
and President,
Austin Investment Advisors
Newport Coast, Calif.

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Vice Chairman and Head
of the Office of Corporate
Responsibility and Chairman
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Chicago, Ill.

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Retired Chairman and
Chief Executive Officer,
Illinois Tool Works, Inc.
Glenview, Ill.

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Retired Co-Chairman
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London, United Kingdom

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Retired Chairman and Chief
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Northern Trust Corporation
and The Northern Trust Co.
Chicago, Ill.

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London, United Kingdom

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Birmingham, Ala.

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Managing Director,
Reliant Equity Investors
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and Chief Executive Officer,
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Chicago, Ill.

Glenn F. Tilton
Chairman, President and
Chief Executive Officer,
UAL Corporation and United
Air Lines, Inc., a wholly owned
subsidiary of UAL Corporation
Chicago, Ill.

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

Senior Management

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

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Executive Vice President,
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Corporate Development

Olivier Bohuon*
Executive Vice President,
Pharmaceutical Products

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Holger A. Liepmann*
Executive Vice President,
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Diagnostic Products

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General Counsel and Secretary

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Senior Vice President,
International Pharmaceuticals

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Senior Vice President,
International Nutrition

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Human Resources

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Senior Vice President,
Vascular

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Pharmaceuticals,
Manufacturing and Supply

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Research and Development

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and Services, Pharmaceutical
Products Group

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Diagnostics

J. Scott White*
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U.S. Nutrition

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Quality Science

Brian J. Blaser
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Diagnostics, Operations

William J. Chase
Vice President, Licensing
and Acquisitions

Jaime Contreras
Vice President,
International Diagnostics

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Pharmaceutical Products

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Vascular Products Operations

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Commercial Operations

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Vice President, Chief Ethics and
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Associate General Counsel,
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Manufacturing

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Santiago Luque
Vice President, Pharmaceuticals,
Latin America

Corlis D. Murray
Vice President,
Corporate Engineering Services

D. Stafford O'Kelly
Vice President,
Molecular Diagnostics

Ramachandran Rajamanickam
Vice President, Nutrition,
Pacific, Asia and Africa

Pascale Richetta
Vice President,
Pharmaceuticals, Western
Europe and Canada

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Sales and Marketing,
U.S. Pharmaceutical
Operations

AJ J. Shoultz
Vice President, Taxes

Preston T. Simons
Vice President,
Information Technology

James P. Sullivan, Ph.D.
Vice President,
Pharmaceuticals Discovery

Eugene Sun, M.D.
Vice President,
Pharmaceuticals
Clinical Development

John B. Thomas
Vice President,
Investor Relations and
Public Affairs

Glenn S. Warner
Vice President,
Solvay Commercial Integration

Susan M. Widner
Vice President,
Corporate Marketing

Gary M. Winer
Vice President,
Pharmaceuticals,
Japan

Valentine Yien
Vice President, Treasurer

**Denotes executive officer*

Shareholder and Corporate Information

Stock Listing

The ticker symbol for Abbott's common stock is ABT. 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 London Stock Exchange and the Swiss Stock Exchange.

Quarterly Dividend Dates

Dividends are expected to be declared and paid on the following schedule in 2010, pending approval by the board of directors:

Quarter	Declared	Record	Paid
First	2/19	4/15	5/15
Second	6/11	7/15	8/15
Third	9/17	10/15	11/15
Fourth	12/10	1/14/11	2/15/11

Tax Information for Shareholders

Abbott is an Illinois High Impact Business and is located in a U.S. federal Foreign Trade Sub-Zone (Sub-Zone 22F). Dividends may be eligible for a subtraction from base income for Illinois income tax purposes.

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

Dividend Reinvestment Plan

The Abbott Dividend Reinvestment Plan offers registered shareholders an opportunity to purchase additional shares, commission-free, through automatic dividend reinvestment and/or optional cash investments. Interested persons may contact the transfer agent, call Abbott's Investor Newsline or write Abbott Shareholder Services.

Dividend Direct Deposit

Shareholders may have quarterly dividends deposited directly into a checking or savings account at any financial institution that participates in the Automated Clearing House system. For more information, please contact the transfer agent, call the Investor Newsline or write Abbott Shareholder Services.

Direct Registration System

In August 2008, Abbott implemented a Direct Registration System (DRS) for all registered shareholder transactions. Shareholders will be sent a statement in lieu of a physical stock certificate for Abbott Laboratories stock. Please contact the transfer agent with any questions.

Annual Meeting

The annual meeting of shareholders will be held at 9 a.m. on Friday, April 23, 2010, at Abbott's corporate headquarters. Questions regarding the annual meeting may be directed to the Corporate Secretary.

A copy of Abbott's 2009 Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available on the Abbott Web site at www.abbott.com or by contacting the Investor Newsline.

CEO and CFO Certifications

In 2009, Abbott's chief executive officer (CEO) provided to the New York Stock Exchange the annual CEO certification regarding Abbott's compliance with the New York Stock Exchange's corporate governance listing standards. In addition, Abbott's CEO and chief financial officer filed with the U.S. Securities and Exchange Commission all required certifications regarding the quality of Abbott's public disclosures in its fiscal 2009 reports.

Investor Newsline

(847) 937-7300

Investor Relations

Dept. 362, AP6D2

Shareholder Services

Dept. 312, AP6D2

Corporate Secretary

Dept. 364, AP6D2

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Abbott Park, IL 60064-6400 U.S.A.
(847) 937-6100

Web Site

www.abbott.com

Global Citizenship Report

Visit www.abbott.com/citizenship to read Abbott's current global citizenship report.

Transfer Agent and Registrar

Computershare
P.O. Box 43078
Providence, RI 02940-3078
(888) 332-2268
www.computershare.com

Shareholder Information

Shareholders with questions about their accounts may contact the transfer agent, call the Investor Newsline or write Abbott Shareholder Services.

Individuals who would like to receive additional information or have questions regarding Abbott's business activities may call the Investor Newsline, write Abbott Investor Relations or visit Abbott's Web site.

Some statements in this annual report may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, "Risk Factors," in our Securities and Exchange Commission 2009 Form 10-K and are incorporated by reference. We undertake no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.

The Abbott 2009 Annual Report was printed with the use of renewable wind power resulting in nearly zero carbon emissions, keeping 30,237 pounds of CO_2 from the atmosphere. This amount of wind-generated electricity is equivalent to 26,233 miles not driven in an automobile or 2,057 trees planted. The Abbott Annual Report cover and text is printed on recycled paper that contains a minimum of 10% post-consumer (PCW) fiber and the financial pages on 30% post-consumer (PCW) fiber.

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Abbott
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