



2017 ANNUAL REPORT



Abbott

Abbott is a global healthcare company whose diverse businesses help people live fuller lives through better health. We keep hearts healthy, nourish bodies at every stage of life, help people feel and move better, and provide information, medicines, and breakthrough technologies to manage people's health. With growing businesses in both developed and developing economies offering market-leading products that align with long-term demographic and technological trends, we are creating long-term shareholder value by delivering consistent growth, strong cash flow, and steadily increasing returns.

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on the cover:

GABRIELLE WEMPE
FreeStyle Libre user
The Netherlands

Since 2015, Gabrielle has relied on the revolutionary technology in Abbott's *FreeStyle Libre* system to monitor her glucose levels.



MILES D. WHITE
*Chairman of the Board and
Chief Executive Officer*

DEAR FELLOW SHAREHOLDER:

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

LETTER TO OUR SHAREHOLDERS

FOCUS ON THE FUTURE

The way we consistently create and deliver that value is by keeping our focus squarely on the future. This year marks our company's 130th anniversary. But our view is that we're only as old as our *last year* – that Abbott is a perpetually new company with a long legacy of success that informs where we go next and how we get there. That's a powerful combination: the experience of a company that's succeeded for generations, and the ambition and energy of a new company with fresh opportunities.

We work very deliberately to ensure that Abbott remains always relevant and current to the people we serve and to the changes taking place in our environment. To that end, we continually shape the company, strategically choosing the businesses in which we compete, the areas of research in which we invest, and the

geographies in which we build, to achieve the optimal configuration for success.

2017 was a watershed year in the shaping of our business for its next great era. The most conspicuous steps in this process were two major acquisitions that will be powerful drivers of our future.

The first of these was St. Jude Medical, the addition of which made Abbott a leading medical-device innovator. Second was Alere Inc., a leader in rapid-testing technologies.

St. Jude and Alere both enhance our strength and presence in key businesses. We've long been a major global player in Diagnostics; Alere strengthens us in one of the few areas in which we weren't already a leader. St. Jude, on the other hand, makes us a premier company across the spectrum of cardiac care, where

we'd previously had leadership only in certain focused areas. It also brings us into a very promising new field: Neuromodulation to treat chronic pain and movement disorders. We're now the market leader in non-opioid pain-relief technology, an area of high interest and immense potential.

Equally important over time is how we strengthen the company organically, through our investment in research and development. 2017 was a year of great success and productivity for Abbott innovation, with an extraordinary number of major product launches and approvals across our businesses and around the world. We have never had a more robust new-product pipeline of life-changing technologies. While this is detailed throughout this report, I'll call out two examples of internal Abbott innovation that speak to our broad aims and capabilities.

ACCELERATING GROWTH

NEUROMODULATION

>40% GROWTH¹

led by newly launched products



ESTABLISHED PHARMACEUTICALS

9.5% GROWTH²

balanced across emerging markets



DIABETES CARE

>20% GROWTH

driven by *FreeStyle Libre*



LETTER TO OUR SHAREHOLDERS

First is our *FreeStyle Libre* glucose-monitoring system. The *FreeStyle Libre* system is a leap-frogging technology, changing the way people have managed their diabetes for decades. And it clearly demonstrates our strategic approach in action: we entered this field through acquisition, creating Abbott Diabetes Care in 2004; then developed it – strategically and technologically – into the market leader it is today.

The year's other standout example of Abbott innovation is our *Alinity* family of diagnostic systems. This is a project of unprecedented scope and ambition in its market – a reinvention of the way the diagnostic lab works through a simultaneous reimagining of its component systems. What's particularly striking about this effort is that it comes in a legacy business in which Abbott has long been an established leader but, nonetheless, is executing a game-changing strategy through organic R&D.

SHAPING SUCCESS

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

Balance

The diversity of Abbott's business portfolio not only expands our opportunities to more areas of healthcare, it's the key to our ability to deliver superior results. By managing a careful balance between diverse elements in our business mix, our customer base, and the markets we serve, we have more ways to win without being overly dependent on any single part of our business.

Global Presence

Abbott has strong commercial, manufacturing, and R&D infrastructure throughout the world's largest and fastest-growing markets. And our marketing efforts have now brought Abbott's corporate identity to more than three billion people worldwide.

Alignment

Abbott goes where significant health needs align with scientific opportunity in order to make the greatest impact for patients and, consequently, shareholders. Our ability to understand the needs of our customers allows us to move with the evolution of our markets.

Leadership

Our intent is to be the leading company in the markets in which we compete. And we're fulfilling that objective, with #1 or #2 positions in virtually every market we serve.

INCREASING OUR IMPACT**DIAGNOSTICS****6 NEW SYSTEMS**in our *Alinity* Family**CARDIOVASCULAR****12 NEW PRODUCTS**

Launched across categories

NUTRITION**#1**

in Worldwide Adult Nutrition

LETTER TO OUR SHAREHOLDERS

CREATING VALUE

The results of the steps we've taken bear out the strategies behind them. The amount of value Abbott has created – near- and long-term – is extraordinary.

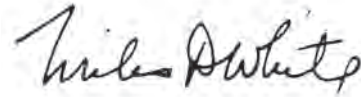
Our company performed very well in 2017, and the result was a stellar year for Abbott shares. Our stock grew almost 50 percent in 2017 – its best performance in 20 years – hitting more than 20 all-time highs along the way.

Combined with dividends paid, this resulted in total shareholder return of 52 percent, the best in our fundamental peer group. And, for the long term, we've paid rising dividends for the past 46 consecutive years, keeping us a member of the S&P Dividend Aristocrats Index since its inception.

We're able to create great value financially because we first do so in the lives of the people who use our products and for others whose lives we touch. In 2017, our efforts in global citizenship led us to be named to the Dow Jones Sustainability Indexes for the 13th consecutive year, the fifth in a row as the leader in our industry. As a result of this strong performance across our operations, *Fortune* magazine recently named us the Most Admired Company in our industry, also for the fifth consecutive year.

2017 was, then, a landmark year of building and putting the pieces in place for our next leap forward. In the years ahead we will capitalize on those investments and advancements. As this report makes clear, we are superbly positioned to do so.

Thanks to our continual shaping of the company, Abbott is in a range of businesses, geographies, and technologies that will allow us to keep growing, evolving, and succeeding. With our eyes always on the way ahead, our company is new again, for the 130th time, and readier than ever to create the ultimate value – in human lives improved and potential realized.



*Miles D. White
Chairman of the Board
and Chief Executive Officer
March 2, 2018*

A TRADITION OF GROWTH

Consistent long-term performance and outstanding shareholder returns

90+ years

of consecutive quarterly dividends paid

Abbott has been an S&P 500 Dividend Aristocrat since the list was first compiled

52%

1-year Total Return to Shareholders

as of December 29, 2017

THIS IS
ABBOTT



*Executing our strategies,
accelerating our growth, expanding
our impact.*

BUILDING ON OUR CORE STRENGTHS.

BALANCE

*in our business mix, our
customer base, and the
markets we serve*



ALIGNMENT

*with the most significant
needs and trends in
healthcare*





PRESENCE

in the world's largest and fastest-growing markets



LEADERSHIP

with #1 or #2 positions in virtually every market we serve



LIFE-CHANGING TECHNOLOGY

Abbott creates life-changing technologies that help people live healthier, fuller lives. Our relentless pursuit of invention is delivering an unprecedented number of advances that will extend our impact and sustain our growth for years to come.





HELPING PEOPLE WITH DIABETES

live fuller, healthier lives.

FREESTYLE LIBRE





GABRIELLE WEMPE
Rotterdam,
The Netherlands

Gabrielle appreciates the freedom afforded her by Abbott's *FreeStyle Libre* glucose-monitoring system

ABBOTT IS COMMITTED TO HELPING PEOPLE ACROSS THE WORLD MANAGE THEIR DIABETES MORE COMFORTABLY AND EFFECTIVELY.

PARADIGM-SHIFTING TECHNOLOGY

Abbott is revolutionizing the way people monitor their glucose with our *FreeStyle Libre* system. This breakthrough technology measures glucose levels through a small sensor worn on the back of the upper arm, eliminating the need for routine finger sticks.⁵

More than half a million people worldwide rely on the *FreeStyle Libre* system to provide real-time glucose results, a graph depicting the latest eight hours of glucose history, and a trend arrow showing the direction their glucose is heading. The system's touch-screen reader retains up to 90 days of data, allowing people to track their glucose levels over time.

NEXT-GENERATION SOLUTIONS

In 2017, Abbott began collaborating with Bigfoot Biomedical to develop diabetes-management systems, integrating our *FreeStyle Libre* technology with Bigfoot's insulin-delivery solutions. Through this collaboration, we aim to provide more actionable information for people who rely on daily insulin injections to manage their diabetes.

425 million people worldwide have some form of diabetes.³

48% INCREASE projected in the number of people living with diabetes by 2045⁴

FREESTYLE LIBRELINK
Abbott's mobile application brings *FreeStyle Libre* monitoring functionality to users' smartphones.

ABBOTT IS CONTINUALLY FOCUSED ON INCREASING THE BREADTH AND DEPTH OF ITS CARDIAC-RHYTHM-MANAGEMENT PORTFOLIO.

Hearts that beat too fast, too slow, or out of sync pump blood less effectively, which can result in damage to the brain, heart, and other organs. Abbott's portfolio of cardiac-rhythm-management devices includes pacemakers that restore normal rhythm, implantable cardiac defibrillators (ICD) that help slow abnormally fast-beating hearts, and cardiac-resynchronization devices that help the heart pump in a more coordinated way. Doctors can also analyze and treat abnormal heart rhythms using our advanced mapping and visualization systems, along with our diagnostic and ablation catheters.

EXPANDING OUR PORTFOLIO

In 2017, we expanded our market-leading cardiac-rhythm-management portfolio with the U.S. Food and Drug Administration (FDA) approvals of several important advances: our *FlexAbility* Ablation Catheter, designed to improve versatility and precision during procedures to treat atrial flutter, a type of irregular heartbeat; *Confirm Rx*, the world's first and only smartphone-compatible insertable cardiac monitor, designed to help physicians remotely identify cardiac arrhythmias; and our full suite of cardiac-rhythm-management products, including our *Assurity MRI* pacemaker and *Ellipse* ICD, that are specifically designed to allow full-body MRI scans.



**ENSITE PRECISION
CARDIAC
MAPPING SYSTEM**

Abbott's cardiac mapping system offers next-generation technology that provides a high level of automation, flexibility, and precision to help doctors more effectively diagnose a wide range of arrhythmias.





**RACHAEL
JARNAGIN**
Chicago, Illinois,
USA

With a family history of heart disease, and evidence that she'd suffered an undiagnosed attack herself, Rachael appreciates the peace of mind offered by her *Abbott Fortify VR* implantable cardioverter defibrillator.

KEEPING HEARTS HEALTHY

and beating at a steady pace.

ASSURITY
MRI
PACEMAKER



>14 million

Estimated number of people in the United States who experience some form of cardiac arrhythmia.⁶



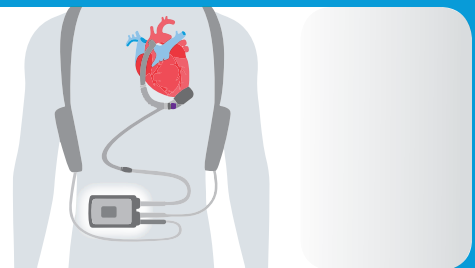
BREAKTHROUGH SOLUTIONS

to help heart-failure patients live fuller lives.



HEARTMATE 3

**LEFT-
VENTRICULAR
ASSIST
DEVICE**





REGGIE WILLIAMS
 Raleigh,
 North Carolina,
 USA

Reggie relies on Abbott's *HeartMate 3* Left-Ventricular Assist Device to help him enjoy a fuller life with his wife, Michelle, while he awaits his transplant.

ABBOTT OFFERS A COMPREHENSIVE PORTFOLIO OF DEVICES AND SYSTEMS DESIGNED TO ADDRESS EVERY TYPE OF HEART FAILURE.

Abbott's Heart Failure portfolio comprises devices and systems to treat and manage heart failure for many different kinds of patients. Our comprehensive offering includes implantable cardiac-resynchronization devices; specially designed pacemakers and defibrillators; our *CardioMEMS* pulmonary-artery pressure monitor, which lets doctors detect worsening heart failure before a patient feels symptoms; a remote monitoring system that communicates with doctors without the need for an in-office visit; and left ventricular assist devices (LVAD), implantable pumps that support patients living with advanced heart failure.

Our newest device in this category is the *HeartMate 3* LVAD, which is the first implantable device of its kind to use our proprietary *Full MagLev* technology, designed to reduce trauma to the blood passing through the pump, while optimizing blood flow. Improved blood flow can help reduce the risk of blood-clot formation, while continuing to deliver the best patient therapy possible.



The *HeartMate 3* LVAD, for advanced heart-failure patients, uses full magnetic levitation as it pumps, reducing trauma to blood passing through the system.

26 million

people worldwide suffer from heart failure⁷

46%

Projected rise in heart failure in the U.S. by 2030⁸

ABBOTT IS IMPROVING TREATMENT OPTIONS IN BOTH STRUCTURAL HEART AND VASCULAR DISEASE.

LESS-INVASIVE THERAPIES

With mitral-valve-repair devices, as well as transcatheter aortic-valve replacement and surgical valve products, Abbott now has the broadest offering of technologies that treat structural-heart diseases, such as non-functioning heart valves and life-threatening holes in the heart.

Our *MitraClip*, a first-of-its-kind mitral-valve-repair device, has provided a minimally invasive treatment option for more than 50,000 people worldwide. And our *AMPLATZER* septal occluder is the first approved medical device indicated to reduce the risk of recurrent ischemic stroke in patients with a small opening between the upper chambers of the heart.

ADVANCING THE STATE OF THE ART

Today, our vascular business offers market-leading stents, catheters, guidewires, and vessel-closure devices, along with diagnostic and imaging devices that allow cardiologists to better visualize damaged arteries. By combining imaging capability with stenting, we can offer the right combination of information and tools to help doctors make better decisions in treating coronary artery disease.

In 2017, Abbott received European approval for *XIENCE Sierra*, a next-generation stent designed to make it easier to access difficult-to-reach lesions.



**AMPLATZER
SEPTAL
OCCLUDER**

>71,000

children in the U.S. and European Union are born with structural heart defects each year.⁹

**DICK
COTHRAN**
Avon Park, Florida,
USA

After doctors used Abbott's *MitraClip* device to repair his leaky mitral valve, Dick regained the energy he needed to truly enjoy his retirement.

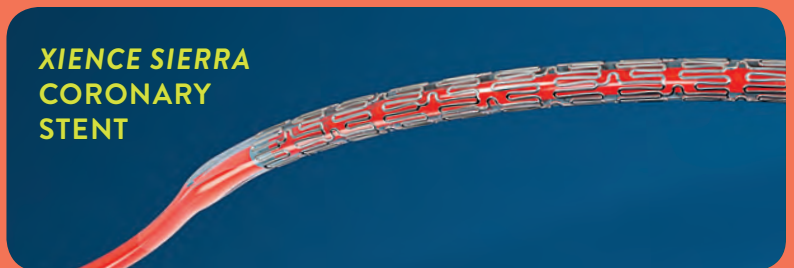
REPAIRING DAMAGED HEARTS

and restoring healthy blood flow.

**MITRACLIP
MITRAL-VALVE
REPAIR DEVICE**



**XIENCE SIERRA
CORONARY
STENT**





CUTTING-EDGE SCIENCE

to treat chronic pain and movement disorders.

INFINITY
Deep Brain
Stimulation
System



PROCLAIM
NEUROSTIMULATION
SYSTEM





DR. MARK MALONE
 Austin, Texas,
 USA

Mark is both a physician who specializes in treating chronic pain and a pain patient himself. Abbott's *BurstDR* technology has helped him manage his once-debilitating back pain.

ABBOTT TECHNOLOGY IMPROVES THE LIVES OF PEOPLE SUFFERING FROM CHRONIC PAIN AND MOVEMENT DISORDERS.

REDEFINING CHRONIC-PAIN RELIEF

Neuromodulation is a new area of expertise for Abbott, and our advanced approach to this technology has resulted in cutting-edge pain-relief devices.

Recent advances in this area include our *Proclaim Elite* recharge-free spinal-cord-stimulation system, which features Abbott's proprietary *BurstDR* stimulation. By emulating natural firing patterns of nerves in the brain, *BurstDR* can give patients relief from both their physical pain and its associated emotional suffering. We also offer our *Proclaim DRG* neurostimulation system, designed to deliver therapy for focal chronic pain of the lower limbs.

NEW HOPE FOR PEOPLE WITH MOVEMENT DISORDERS

We are transforming the standard of care for movement disorders with deep-brain stimulation products that can help treat and manage patients with Parkinson's disease and essential tremor.

A leading product in this area is our *Infinity* DBS, which delivers mild electrical pulses to certain targets in the brain to stimulate the structures involved in motor control, while blocking the electrical signals that cause involuntary movements.



1.5 BILLION

people worldwide suffer from chronic pain.¹⁰



ABBOTT'S MEDICINES BUSINESS IS A UNIQUELY POWERFUL GROWTH ENGINE FOCUSED ENTIRELY IN FAST-GROWING MARKETS.

Built on the foundation of the trust consumers and healthcare providers have in Abbott, our medicines business continues to deliver excellent growth by meeting the need for high-quality, affordable medications in emerging markets.

We've built this business to be powered globally, but driven locally. Our global scale provides a solid base to sustain competitiveness – particularly when it comes to manufacturing and innovation – and our local decision making makes us nimble in fast-changing markets.

We have a portfolio of more than 1,500 products across multiple therapeutic areas, including gastroenterology, women's health, cardiometabolic, pain management/central nervous system, respiratory, and influenza vaccines. And, within this offering, we've created new ways of using existing medicines, new delivery methods, new dosage combinations, new indications, different flavors, and enhanced packaging and digital solutions that improve patient adherence.



>1,500

Products in Abbott's portfolio, with more than 400 currently in development



31

manufacturing sites



12

development centers



BUDI PUTRA
Jakarta, Indonesia

Budi trusts our *Depakote* tablets to help control his seizures, letting him focus on living his best possible life with his family.

TRUSTED, BRANDED MEDICINES

meeting the needs of fast-growing markets.





SCIENCE-BASED NOURISHMENT

at every stage of life, all around the world.

**ELEVA
INFANT
FORMULA**



**ENSURE
ADVANCE**





ELISA FORTI
Buenos Aires,
Argentina

At 82, Elisa still has the energy to keep doing the things she loves. She relies on *Ensure Advance* nutritional supplement to support her strength and mobility to help maintain her active lifestyle.

ABBOTT'S PORTFOLIO OF NUTRITION PRODUCTS HELPS PEOPLE GET HEALTHY AND STAY THAT WAY.

HELPING GIVE CHILDREN A STRONG START

For infants and toddlers, we make powdered and ready-to-drink products that are trusted around the world to support healthy growth, address the special nutrition needs of children who are ill, and help kids rehydrate after diarrhea or vomiting. Beyond our *Similac* line of infant and toddler formulas, we also offer *PediaSure*, our complete, balanced nutritional supplement that supports healthy growth and development, and *PediaLyte*, an oral electrolyte solution specially formulated to help prevent dehydration.

HELPING ADULTS ACHIEVE THEIR HEALTH GOALS

For adults, Abbott has a broad portfolio of products that includes modular products, which are added to existing formulas to address specific nutritional needs; supplemental nutrition to help fill gaps in the diet; and oral nutritional supplements and tube feeding, which provide a source of complete and balanced nutrition. In addition to our market-leading *Ensure* family of products, Abbott has developed a number of formulations that support the unique nutritional needs of people with chronic illnesses, including *Glucerna*, for people with diabetes, and *Nepro*, for patients on dialysis.



GLOBAL LEADERSHIP

#1

Adult Nutrition
worldwide

Pediatric Nutrition
U.S. and many
international markets

**Ensure Gold wheat
flavor appeals
to local tastes in
Vietnam**

EXPANDING OUR IMPACT

with continual product improvements.



ELISA FORTI
and her grandsons

PURE BLISS

For parents who want a non-GMO formula. Made with fresh milk from grass-fed cows



SIMILAC

The first infant formula with 2'-FL Human Milk Oligosaccharides



ENSURE

#1 Doctor-recommended brand in the U.S.



PEDIALYTE

Specially formulated to help prevent dehydration



>25

KEY
PRODUCT
LAUNCHES
IN 2017

5

Nutrition R&D centers worldwide let Abbott respond quickly to regional differences in consumer preferences, from taste to packaging

ABBOTT DRAWS UPON CUTTING-EDGE RESEARCH TO DEVELOP MORE EFFECTIVE NUTRITIONAL PRODUCTS.

A BREAKTHROUGH IN INFANT FORMULA

Human Milk Oligosaccharides (HMOs) are the third most abundant solid component of breast milk after fat and carbohydrates. They feed beneficial bacteria in the gut, where 70% of the immune system exists. Until recently, only breastfed babies have been able to benefit from these important prebiotics. Today, thanks to Abbott scientists, these compounds are available in our *Similac Pro-Advance* and *Similac Pro-Sensitive* infant formulas.

SCIENCE-BASED NUTRITION

In 2017, Abbott introduced science-based nutrition drinks to help patients have a better recovery from surgery. Research shows that staying nourished in the days and hours prior to a procedure can help patients prepare for and recover from surgery. New *Ensure Surgery Immunonutrition Shake* and *Ensure Pre-Surgery Clear* nutrition drinks are designed for hospitals implementing surgical guidelines for enhancing patient recovery.

GLUCERNA

Leading nutritional product formulated to help people maintain healthy glucose levels and manage diabetes



ENSURE SURGERY AND PRE-SURGERY CLEAR

Specifically designed to help patients prepare for, and recover from, surgery

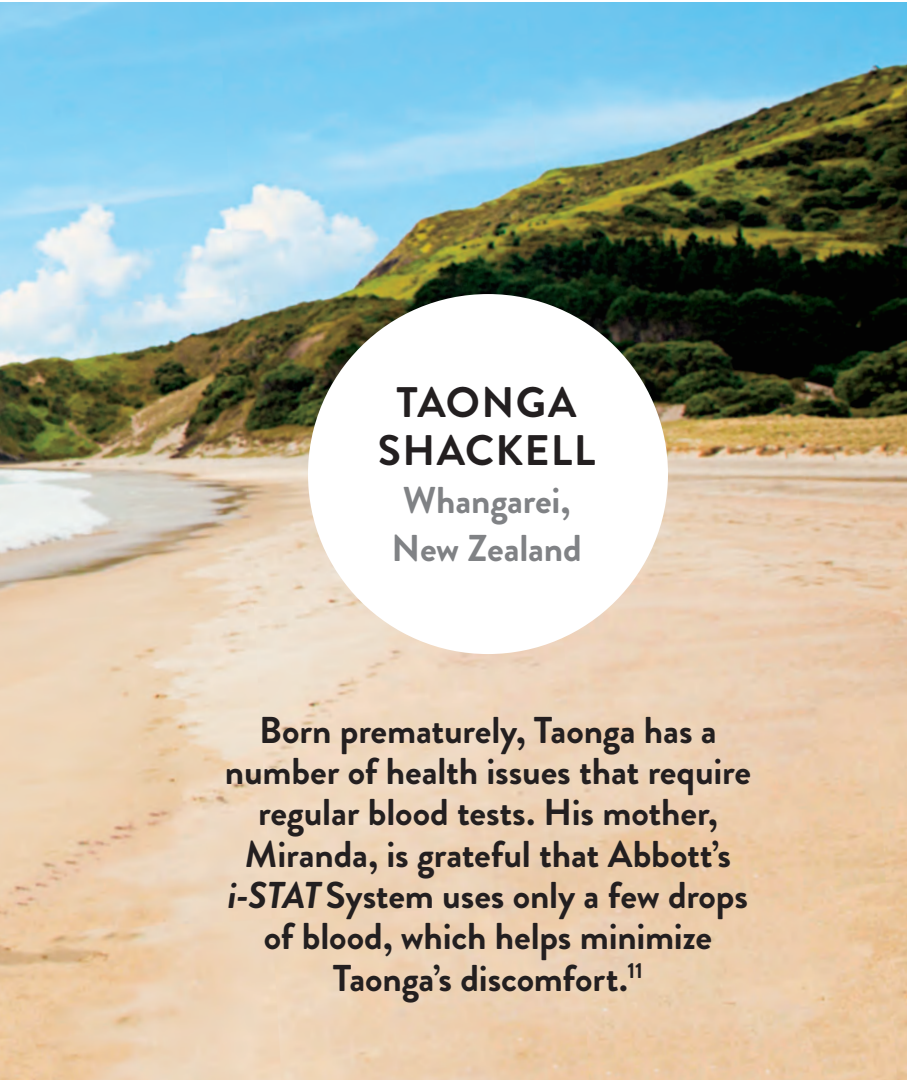


ACCURATE, TIMELY INFORMATION

to better manage health and help improve outcomes.



**OUR EASIEST-TO-USE
POINT-OF-CARE TESTING
DEVICE YET**



TAONGA SHACKELL
Whangarei,
New Zealand

Born prematurely, Taonga has a number of health issues that require regular blood tests. His mother, Miranda, is grateful that Abbott's *i-STAT* System uses only a few drops of blood, which helps minimize Taonga's discomfort.¹¹

GLOBAL LEADERSHIP
IN DIAGNOSTICS

#1

IN BLOOD SCREENING

LEADING

point-of-care platform in the
United States

BEST-IN-CLASS

molecular tests

ABBOTT'S PRODUCTS PROVIDE INFORMATION THAT HELPS PREVENT, DIAGNOSE, AND TREAT A BROAD SPECTRUM OF HEALTH CONDITIONS.

Abbott offers a wide range of diagnostic instrument systems and tests for hospitals, reference labs, molecular labs, blood banks, physician offices, and clinics.

CORE LABORATORY AND TRANSFUSION MEDICINE

Abbott offers a comprehensive array of immunoassay and clinical-chemistry instrument platforms, tests, and services. We are addressing our customers' need for greater efficiencies through the use of analytics, informatics, and automation.

POINT OF CARE

The foundation of Abbott's point-of-care testing business is the *i-STAT* System, our market-leading portable blood analyzer, which can perform many of the most commonly ordered blood tests at the bedside, using only a few drops of blood.

MOLECULAR

Abbott offers tests that analyze DNA and RNA at the molecular level, providing more-accurate means to detect and monitor diseases like HIV and hepatitis.

INFORMATICS

Our informatics solutions, such as *STARLIMS*, help create smarter labs while addressing the full spectrum of clinical needs, making actionable information available through mobile devices in a secure, user-friendly manner.

ALINITY

A DIAGNOSTICS REVOLUTION

*A unified, holistic family
of systems.*



ALINITY FAMILY

- **CLINICAL CHEMISTRY**
Alinity c
- **IMMUNOASSAY**
Alinity i
- **HEMATOLOGY**
Alinity hs/hq
- **BLOOD SCREENING**
Alinity s
- **MOLECULAR**
Alinity m
- **POINT OF CARE**
i-STAT Alinity
- **INFORMATICS**
Alinity PRO



ALIGNED With Customer Goals

Fueled By **INNOVATIVE** Possibilities

Working in **UNITY** To Deliver Results

ALINITY OFFERS A MAJOR LEAP FORWARD IN TERMS OF RELIABILITY, COST, CAPACITY, SPACE EFFICIENCY, AND EASE OF USE.

Today's healthcare systems face a host of challenges that impact their ability to deliver the fast and accurate results doctors need. They're being asked to handle unprecedented volumes of tests on limited budgets, with limited staff and limited space.

Abbott's new family of systems – which includes next-generation instruments for clinical chemistry, immunoassay, hematology, point of care, blood and plasma screening, and molecular diagnostics – will help lab professionals and clinicians meet these challenges better than any technology available today.

Systems in the *Alinity* family share a number of key attributes: they offer features that align with the needs of today's labs; they provide innovative solutions to current and future challenges; they're designed to be interconnected and work together seamlessly while using less space in today's smaller labs; and they have common software and hardware platforms, plus universal, intuitive interfaces that make them simpler to use.

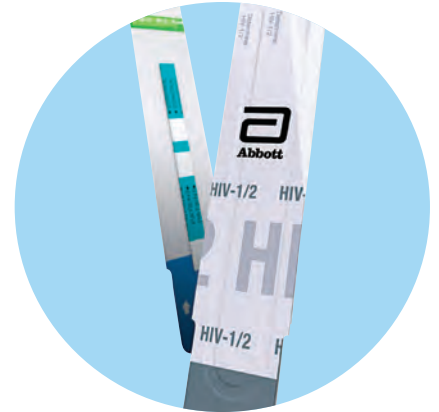
GAME-CHANGING TECHNOLOGY

Alinity is a total enterprise solution designed to help hospitals and diagnostic laboratories achieve measurably better healthcare performance.

IMPROVING ACCESS TO CARE

with our newly expanded offering in rapid diagnostics.

OUR RAPID TESTS FOR HIV HAVE BEEN AN IMPORTANT TOOL IN THE FIGHT AGAINST AIDS AROUND THE WORLD.



DELIVERING FAST, RELIABLE AND ACTIONABLE INFORMATION

Rapid diagnostic testing can give doctors the insights they need – in minutes – to deliver the right care, at the right time. Abbott is the world leader in point-of-care testing, with a targeted portfolio of systems and tests designed to improve the overall quality of care and help our customers deliver better clinical and

economic healthcare outcomes. In 2017, we delivered more than one billion tests to healthcare professionals and patients around the world. Abbott also offers drug testing and services that allow for informed decisions by employers.

FOCUSED IN THREE KEY AREAS

CARDIOMETABOLIC



INFECTIOUS DISEASE



TOXICOLOGY



ABBOTT FUTURE

We're shaping Abbott for long-term growth by building significant positions in those areas where the need for new solutions is greatest.

GROWING WORLDWIDE NEEDS

DIABETES

+114%

Estimated percentage change in the number of people with diabetes 2000-2030¹²

CARDIOVASCULAR DISEASE

>400M

Global prevalent cases of cardiovascular disease¹³

CHRONIC PAIN

1 in 10

Adults worldwide are newly diagnosed with chronic pain each year¹⁴

EMERGING-MARKET PHARMACEUTICALS

+100%

Projected change in size of emerging pharmaceutical markets 2015-2025¹⁵

2017 FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF EARNINGS

(in millions except per share data)

Year Ended December 31	2017	2016	2015
Net Sales	\$27,390	\$20,853	\$20,405
Cost of products sold, excluding amortization of intangible assets	12,337	9,024	8,747
Amortization of intangible assets	1,975	550	601
Research and development	2,235	1,422	1,405
Selling, general and administrative	9,117	6,672	6,785
Total Operating Cost and Expenses	25,664	17,668	17,538
Operating Earnings	1,726	3,185	2,867
Interest expense	904	431	163
Interest income	(124)	(99)	(105)
Net foreign exchange (gain) loss	(34)	495	(93)
Other (income) expense, net	(1,251)	945	(281)
Earnings from Continuing Operations Before Taxes	2,231	1,413	3,183
Taxes on Earnings from Continuing Operations	1,878	350	577
Earnings from Continuing Operations	353	1,063	2,606
Earnings from Discontinued Operations, net of taxes	124	321	65
Gain on sale of Discontinued Operations, net of taxes	—	16	1,752
Net Earnings from Discontinued Operations, net of taxes	124	337	1,817
Net Earnings	\$ 477	\$ 1,400	\$ 4,423
Basic Earnings Per Common Share—			
Continuing Operations	\$ 0.20	\$ 0.71	\$ 1.73
Discontinued Operations	0.07	0.23	1.21
Net Earnings	\$ 0.27	\$ 0.94	\$ 2.94
Diluted Earnings Per Common Share—			
Continuing Operations	\$ 0.20	\$ 0.71	\$ 1.72
Discontinued Operations	0.07	0.23	1.20
Net Earnings	\$ 0.27	\$ 0.94	\$ 2.92
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,740	1,477	1,496
Dilutive Common Stock Options	9	6	10
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,749	1,483	1,506
Outstanding Common Stock Options Having No Dilutive Effect	—	5	1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

Year Ended December 31	2017	2016	2015
Net Earnings	\$ 477	\$ 1,400	\$ 4,423
Foreign currency translation gain (loss) adjustments	1,365	(130)	(2,013)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of \$(61) in 2017, \$(125) in 2016 and \$101 in 2015	(243)	(326)	252
Unrealized gains (losses) on marketable equity securities, net of taxes of \$(76) in 2017, \$(28) in 2016 and \$104 in 2015	64	(134)	64
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of \$(43) in 2017, \$(4) in 2016 and \$(9) in 2015	(134)	(15)	(35)
Other Comprehensive Income (Loss)	1,052	(605)	(1,732)
Comprehensive Income	\$ 1,529	\$ 795	\$ 2,691

Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:

Cumulative foreign currency translation (loss) adjustments	\$(3,452)	\$(4,959)	\$(4,829)
Net actuarial (losses) and prior service (cost) and credits	(2,521)	(2,284)	(1,958)
Cumulative unrealized (losses) gains on marketable equity securities	(5)	(69)	65
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(84)	49	64
Accumulated other comprehensive income (loss)	\$(6,062)	\$(7,263)	\$(6,658)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)

Year Ended December 31	2017	2016	2015
Cash Flow From (Used in) Operating Activities:			
Net earnings	\$ 477	\$ 1,400	\$ 4,423
Adjustments to reconcile earnings to net cash from operating activities—			
Depreciation	1,046	803	871
Amortization of intangible assets	1,975	550	601
Share-based compensation	406	310	292
Impact of currency devaluation	—	480	—
Amortization of inventory step-up	907	—	—
Investing and financing (gains) losses, net	47	86	(18)
Amortization of bridge financing fees	5	165	—
Gains on sale of businesses	(1,163)	(25)	(2,840)
Mylan N.V. equity investment adjustment	—	947	—
Gain on sale of Mylan N.V. shares	(45)	—	(207)
Trade receivables	(207)	(177)	(171)
Inventories	249	(98)	(257)
Prepaid expenses and other assets	109	113	57
Trade accounts payable and other liabilities	615	(652)	(742)
Income taxes	1,149	(699)	957
Net Cash From Operating Activities	5,570	3,203	2,966
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,135)	(1,121)	(1,110)
Acquisitions of businesses and technologies, net of cash acquired	(17,183)	(80)	(235)
Proceeds from business dispositions	6,042	25	230
Proceeds from the sale of Mylan N.V. shares	2,704	—	2,290
Purchases of investment securities	(210)	(2,823)	(4,933)
Proceeds from sales of investment securities	129	3,709	4,112
Other	35	42	52
Net Cash From (Used in) Investing Activities	(9,618)	(248)	406
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt and other	(1,034)	(1,767)	(1,281)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	6,742	14,934	2,485
Repayments of long-term debt and debt with maturities over 3 months	(8,650)	(12)	(57)
Payment of bridge financing fees	—	(170)	—
Purchase of Alere preferred stock	(710)	—	—
Acquisition and contingent consideration payments related to business acquisitions	(13)	(25)	(17)
Purchases of common shares	(117)	(522)	(2,237)
Proceeds from stock options exercised	350	248	314
Dividends paid	(1,849)	(1,539)	(1,443)
Net Cash From (Used in) Financing Activities	(5,281)	11,147	(2,236)
Effect of exchange rate changes on cash and cash equivalents	116	(483)	(198)
Net (Decrease) Increase in Cash and Cash Equivalents	(9,213)	13,619	938
Cash and Cash Equivalents, Beginning of Year	18,620	5,001	4,063
Cash and Cash Equivalents, End of Year	\$ 9,407	\$ 18,620	\$ 5,001
Supplemental Cash Flow Information:			
Income taxes paid	\$ 570	\$ 620	\$ 631
Interest paid	917	181	166

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 9,407	\$18,620
Investments, primarily bank time deposits and U.S. treasury bills	203	155
Trade receivables, less allowances of—2017: \$294; 2016: \$250	5,249	3,248
Inventories:		
Finished products	2,339	1,624
Work in process	472	294
Materials	790	516
Total inventories	3,601	2,434
Other prepaid expenses and receivables	1,667	1,806
Current assets held for disposition	20	513
Total Current Assets	20,147	26,776
Investments	883	2,947
Property and Equipment, at Cost:		
Land	526	408
Buildings	3,613	2,602
Equipment	10,394	8,394
Construction in progress	732	962
	15,265	12,366
Less: accumulated depreciation and amortization	7,658	6,661
Net Property and Equipment	7,607	5,705
Intangible Assets, net of amortization	21,473	4,539
Goodwill	24,020	7,683
Deferred Income Taxes and Other Assets	1,944	2,263
Non-current Assets Held for Disposition	176	2,753
	\$76,250	\$52,666

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

CONSOLIDATED BALANCE SHEET*(dollars in millions)*

December 31	2017	2016
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings	\$ 206	\$ 1,322
Trade accounts payable	2,402	1,178
Salaries, wages and commissions	1,187	752
Other accrued liabilities	3,811	2,581
Dividends payable	489	391
Income taxes payable	309	188
Current portion of long-term debt	508	3
Current liabilities held for disposition	—	245
Total Current Liabilities	8,912	6,660
Long-term Debt	27,210	20,681
Post-employment obligations and other long-term liabilities	9,030	4,549
Non-current liabilities held for disposition	—	59
Commitments and Contingencies		
Shareholders' Investment:		
Preferred shares, one dollar par value		
Authorized—1,000,000 shares, none issued	—	—
Common shares, without par value		
Authorized—2,400,000,000 shares		
Issued at stated capital amount—		
Shares: 2017: 1,965,908,188; 2016: 1,707,475,455	23,206	13,027
Common shares held in treasury, at cost—		
Shares: 2017: 222,305,719; 2016: 234,606,250	(10,225)	(10,791)
Earnings employed in the business	23,978	25,565
Accumulated other comprehensive income (loss)	(6,062)	(7,263)
Total Abbott Shareholders' Investment	30,897	20,538
Noncontrolling Interests in Subsidiaries	201	179
Total Shareholders' Investment	31,098	20,717
	\$ 76,250	\$ 52,666

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

(in millions except shares and per share data)

Year Ended December 31	2017	2016	2015
Common Shares:			
Beginning of Year			
Shares: 2017: 1,707,475,455; 2016: 1,702,017,390; 2015: 1,694,929,949	\$ 13,027	\$ 12,734	\$ 12,383
Issued under incentive stock programs			
Shares: 2017: 8,834,924; 2016: 5,458,065; 2015: 7,087,441	242	222	289
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	9,835	—	—
Share-based compensation	406	311	292
Issuance of restricted stock awards	(304)	(240)	(230)
End of Year			
Shares: 2017: 1,965,908,188; 2016: 1,707,475,455; 2015: 1,702,017,390	\$ 23,206	\$ 13,027	\$ 12,734
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2017: 234,606,250; 2016: 229,352,338; 2015: 186,894,515	\$(10,791)	\$(10,622)	\$ (8,678)
Issued under incentive stock programs			
Shares: 2017: 8,696,320; 2016: 5,398,469; 2015: 5,381,586	400	250	250
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	180	—	—
Purchased			
Shares: 2017: 302,637; 2016: 10,652,381; 2015: 47,839,409	(14)	(419)	(2,194)
End of Year			
Shares: 2017: 222,305,719; 2016: 234,606,250; 2015: 229,352,338	\$(10,225)	\$(10,791)	\$(10,622)
Earnings Employed in the Business:			
Beginning of Year	\$ 25,565	\$ 25,757	\$ 22,874
Net earnings	477	1,400	4,423
Cash dividends declared on common shares (per share— 2017: \$1.075; 2016: \$1.045; 2015: \$0.98)	(1,947)	(1,547)	(1,464)
Effect of common and treasury share transactions	(117)	(45)	(76)
End of Year	\$ 23,978	\$ 25,565	\$ 25,757
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	\$ (7,263)	\$ (6,658)	\$ (5,053)
Business dispositions / separation	149	—	127
Other comprehensive income (loss)	1,052	(605)	(1,732)
End of Year	\$ (6,062)	\$ (7,263)	\$ (6,658)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	\$ 179	\$ 115	\$ 113
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	22	64	2
End of Year	\$ 201	\$ 179	\$ 115

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Changes in Presentation—In September 2016, Abbott announced that it had entered into an agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson. The transaction closed in February 2017. The operating results of AMO up to the date of sale were reported as part of continuing operations as AMO did not qualify for reporting as a discontinued operation. The assets and liabilities of AMO are reported as held for disposition in Abbott's Consolidated Balance Sheet at December 31, 2016.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. The historical operating results of these two businesses up to the date of sale are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations, net of taxes line in Abbott's Consolidated Statement of Earnings. The cash flows of these businesses are included in Abbott's Consolidated Statement of Cash Flows up to the date of disposition. See Note 2—Discontinued Operations for additional information.

Basis of Consolidation—The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

Use of Estimates—The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates; income taxes; pension and other post-employment benefits, including certain asset values that are based on significant unobservable inputs; valuation of intangible assets; litigation; derivative financial instruments; and inventory and accounts receivable exposures.

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

Revenue Recognition—Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above

are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics and medical optics, prior to its divestiture, Abbott participates in selling arrangements that include multiple deliverables (e.g., instruments, reagents, procedures, and service agreements). Under these arrangements, Abbott recognizes revenue upon delivery of the product or performance of the service and allocates the revenue based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. The standard becomes effective for Abbott in the first quarter of 2018. Abbott's revenues are primarily comprised of product sales. Abbott completed a thorough evaluation of the new standard including a detailed review of Abbott's revenue streams and contracts. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements. Abbott will use the modified retrospective method to adopt this standard.

Income Taxes—Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Interest and penalties on income tax obligations are included in taxes on income.

Earnings Per Share—Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2017, 2016 and 2015 were \$346 million, \$1.057 billion and \$2.595 billion, respectively. Net earnings allocated to common shares in 2017, 2016 and 2015 were \$468 million, \$1.393 billion and \$4.403 billion, respectively.

Pension and Post-Employment Benefits—Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

Fair Value Measurements—For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

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

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 modifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes and classification on the statement of cash flows. Abbott adopted the standard in the first quarter of 2017 and the following changes were made to the presentation of Abbott’s financial statements:

- All excess tax benefits or tax deficiencies are now recognized as income tax benefit or expense as applicable. Previously, Abbott recorded the benefits to Shareholders’ Investment. The tax benefit recorded in Abbott’s Consolidated Statement of Earnings for 2017 was \$120 million. The standard does not permit retrospective presentation of this benefit in prior years.
- The tax benefit or deficiency is required to be classified as an operating activity in the statement of cash flows. Previously, it was required to be classified within financing activities. Abbott has adopted this standard on a prospective basis and has not revised the classification of the excess tax benefit in the prior year’s Consolidated Statement of Cash Flows.

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

Cash, Cash Equivalents and Investments—Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of approximately \$235 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust are accounted for as trading securities. All other investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive income (loss). Investments in equity securities that are not traded on public stock exchanges are recorded at cost. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and

are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as interest income.

Abbott reviews the carrying value of investments each quarter to determine whether an other than temporary decline in fair value exists. Abbott considers factors affecting the investee, factors affecting the industry the investee operates in and general equity market trends. Abbott considers the length of time an investment’s fair value has been below carrying value and the near-term prospects for recovery to carrying value. When Abbott determines that an other than temporary decline has occurred, the investment is written down with a charge to Other (income) expense, net.

Trade Receivable Valuations—Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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

Property and Equipment—Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The following table shows estimated useful lives of property and equipment:

Classification	Estimated Useful Lives
Buildings	10 to 50 years (average 27 years)
Equipment	3 to 20 years (average 11 years)

Product Liability—Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Receivables for insurance recoveries for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized. Product liability losses are self-insured.

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

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

Concentration of Risk and Guarantees—Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

NOTE 2—DISCONTINUED OPERATIONS

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million ordinary shares (or approximately 22%) of a newly formed entity (Mylan N.V.) that combined Mylan’s existing business and Abbott’s developed markets branded generics pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott’s Established Pharmaceutical Products segment. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the date of closing, the 110 million Mylan N.V. ordinary shares that Abbott received were valued at \$5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately \$1.6 billion. The shareholder agreement with Mylan N.V. includes voting and other restrictions that prevent Abbott from exercising significant influence over the operating and financial policies of Mylan N.V.

At the close of this transaction Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan provided various back office support services to each other on an interim transitional basis for up to 2 years. Certain services were extended for an additional five to ten months. Charges by Abbott under this transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transition support did not constitute significant continuing involvement in Mylan’s operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. Abbott recorded a pretax gain of \$207 million on \$2.29 billion in net proceeds from the sale of these shares. The gain is recognized in the Other (income) expense line of the 2015 Consolidated Statement of Earnings. As a result of this sale, Abbott’s ownership interest in Mylan N.V. decreased to approximately 14%.

In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received \$2.704 billion in proceeds. Abbott recorded a \$45 million gain from the sale of these ordinary shares in 2017,

which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. Abbott received cash proceeds of \$230 million and reported an after tax gain on the sale of approximately \$130 million. In the first quarter of 2016, Abbott received an additional \$25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of \$16 million.

As a result of the disposition of the above businesses, the operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott’s historical operations.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott’s research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie’s business. AbbVie generally will be liable for all other taxes attributable to its business.

The operating results of Abbott’s developed markets branded generics pharmaceuticals and animal health businesses, as well as the income tax benefit related to the businesses transferred to AbbVie, which are being reported as discontinued operations are as follows:

(in millions)	2017	2016	2015
Year Ended December 31			
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	\$ —	\$ —	\$256
AbbVie	—	—	—
Total	\$ —	\$ —	\$256
Earnings (Loss) Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	\$ 15	\$ (4)	\$ 13
AbbVie	—	—	—
Total	\$ 15	\$ (4)	\$ 13
Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	\$ 15	\$ 3	\$ 62
AbbVie	109	318	3
Total	\$124	\$321	\$ 65

The net earnings of discontinued operations include income tax benefits of \$109 million in 2017, \$325 million in 2016 and \$52 million in 2015. The tax benefits in 2017 and 2016 primarily relate to the resolution of various tax positions related to AbbVie’s operations for years prior to the separation. 2015 includes \$48 million of tax benefits related to the resolution of various tax positions related to prior years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The sale of the developed markets branded generics pharmaceuticals and animal health business in 2015 resulted in the recognition of a pretax gain of \$2.840 billion, tax expense of \$1.088 billion and an after tax gain of \$1.752 billion. The 2015 tax provision included \$667 million of tax expense on certain prior year income earned outside the U.S. related to the developed markets branded generics pharmaceuticals businesses that were not designated as permanently reinvested overseas.

NOTE 3—ASSETS AND LIABILITIES HELD FOR DISPOSITION

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott’s proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of \$1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of \$728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, 2016 and 2015, the AMO earnings (losses) before taxes included in Abbott’s consolidated earnings were \$(18) million, \$30 million and \$64 million, respectively. Assets and liabilities of AMO were classified as held for disposition in Abbott’s Consolidated Balance Sheet as of December 31, 2016.

As discussed in Note 6—Business Acquisitions, in conjunction with the acquisition of Alere Inc. (Alere), Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The legal transfer of certain assets and liabilities related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets and liabilities presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2017, primarily relate to the businesses sold to Quidel.

The following is a summary of the assets and liabilities held for disposition as of December 31, 2017 and 2016:

(in millions)	2017	2016
December 31		
Trade receivables, net	\$ 12	\$ 222
Total inventories	8	240
Prepaid expenses and other current assets	—	51
Current assets held for disposition	20	513
Net property and equipment	56	247
Intangible assets, net of amortization	18	529
Goodwill	102	1,966
Deferred income taxes and other assets	—	11
Non-current assets held for disposition	176	2,753
Total assets held for disposition	\$196	\$3,266
Trade accounts payable	\$ —	\$ 71
Salaries, wages, commissions and other accrued liabilities	—	174
Current liabilities held for disposition	—	245
Post-employment obligations, deferred income taxes and other long-term liabilities	—	59
Total liabilities held for disposition	\$ —	\$ 304

NOTE 4—SUPPLEMENTAL FINANCIAL INFORMATION

Other (income) expense, net, for 2017 includes a pre-tax gain of \$1.163 billion related to the sale of AMO to Johnson & Johnson. See Note 3—Assets and Liabilities Held for Disposition for further details. Other (income) expense, net, for 2016 includes expense of \$947 million to adjust Abbott’s holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary. Other (income) expense, net, for 2015 primarily relates to a \$207 million gain on the sale of a portion of Abbott’s position in Mylan N.V. stock and \$79 million of income resulting from a decrease in the fair value of contingent consideration related to a business acquisition.

The detail of various balance sheet components is as follows:

(in millions)	2017	2016
Long-term Investments:		
Equity securities	\$797	\$2,906
Other	86	41
Total	\$883	\$2,947

The decrease in long-term investments relates to the sale in 2017 of the remaining ordinary shares of Mylan N.V. that Abbott held. Abbott sold 69.75 million ordinary shares of Mylan N.V. and received \$2.704 billion in proceeds. Abbott recorded a \$45 million pre-tax gain in 2017 related to the sale of these ordinary shares, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. As of December 31, 2017, Abbott no longer has an ownership interest in Mylan N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Abbott's equity securities as of December 31, 2017, include \$363 million of investments in mutual funds that are held in a rabbi trust and were acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

(in millions)	2017	2016
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	\$ 124	\$ 110
Accrued other rebates (a)	498	296
All other	3,189	2,175
Total	\$3,811	\$2,581

(a) Accrued wholesaler chargeback rebates of \$178 million and \$214 million at December 31, 2017 and 2016, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	2017	2016
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	\$2,169	\$2,154
Deferred income taxes	2,006	356
All other (b)	4,855	2,039
Total	\$9,030	\$4,549

(b) 2017 includes approximately \$835 million of net unrecognized tax benefits, as well as approximately \$100 million of acquisition consideration payable. 2016 includes approximately \$560 million of net unrecognized tax benefits, as well as approximately \$130 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of \$480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2017, Abbott's investment in its Venezuelan operations was not significant. As a result, any additional future foreign currency losses related to Venezuela would not be material.

NOTE 5—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2015	\$(4,829)	\$(1,958)	\$ 65	\$ 64	\$(6,658)
Other comprehensive income (loss) before reclassifications	(130)	(393)	(1,109)	41	(1,591)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	67	975	(56)	986
Net current period other comprehensive income (loss)	(130)	(326)	(134)	(15)	(605)
Balance at December 31, 2016	(4,959)	(2,284)	(69)	49	(7,263)
Impact of business dispositions	142	6	—	1	149
Other comprehensive income (loss) before reclassifications	1,365	(333)	182	(170)	1,044
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	90	(118)	36	8
Net current period other comprehensive income (loss)	1,365	(243)	64	(134)	1,052
Balance at December 31, 2017	\$(3,452)	\$(2,521)	\$ (5)	\$ (84)	\$(6,062)

(a) Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange (gain) loss; gains (losses) on marketable equity securities are recorded as Other (income) expense and gains/losses related to cash flow hedges are recorded as Cost of product sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit plan cost—see Note 13 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6—BUSINESS ACQUISITIONS

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott’s closing stock price on the acquisition date. As part of the acquisition, approximately \$5.9 billion of St. Jude Medical’s debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company’s ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received \$46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of \$39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately \$81 per St. Jude Medical common share and total purchase consideration of \$23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a \$2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	\$15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)
Net debt	(5.3)
Total final allocation of fair value	\$23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately \$1.1 billion, inventory of approximately \$1.7 billion, other current assets of \$176 million, property and equipment of approximately \$1.5 billion, and other long-term assets of approximately \$455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately \$1.1 billion and other non-current liabilities of approximately \$870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately \$1.12 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott’s Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for \$51.00 per common share in cash, which equated to a purchase price of approximately \$4.5 billion. As part of the acquisition, Abbott tendered for Alere’s

preferred shares for a total value of approximately \$0.7 billion. In addition, approximately \$3.0 billion of Alere’s debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott’s global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 10—Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

The preliminary allocation of the fair value of the Alere acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)	
Acquired intangible assets, non-deductible	\$ 3.5
Goodwill, non-deductible	4.1
Acquired net tangible assets	0.9
Deferred income taxes recorded at acquisition	(0.7)
Net debt	(2.6)
Preferred stock	(0.7)
Total preliminary allocation of fair value	\$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately \$430 million, inventory of approximately \$425 million, other current assets of \$206 million, property and equipment of approximately \$540 million, and other long-term assets of \$112 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately \$625 million and other non-current liabilities of approximately \$160 million.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of \$400 million payable at the close of the transaction, \$240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of \$40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately \$200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott’s agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include \$6.5 billion of sales and a pre-tax loss of approximately \$1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately \$1.5 billion of intangible amortization and \$907 million of inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately \$485 million in 2016. This includes amortization of approximately \$940 million of inventory step-up and \$1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately \$750 million, which includes \$225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately \$907 million which was recorded in 2017 but included in the 2016 unaudited pro forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of \$402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the \$400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately \$225 million in cash plus additional payments up to \$150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately \$220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately \$142 million, deferred tax assets and other net assets of approximately \$18 million, deferred tax liabilities of approximately \$85 million, and contingent consideration of approximately \$70 million. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products segment. If the acquisition of Tendyne had taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

NOTE 7—GOODWILL AND INTANGIBLE ASSETS

The total amount of goodwill reported was \$24.0 billion at December 31, 2017 and \$7.7 billion at December 31, 2016. The amounts reported at December 31, 2017 and 2016 exclude goodwill reported in non-current assets held for disposition. In 2017, approximately \$2.0 billion of goodwill was included as part of the net assets sold in the AMO divestiture. Goodwill increased by \$17.2 billion in 2017 due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of \$1.5 billion due to the sale of certain businesses to Terumo, Quidel and Siemens. Foreign currency translation increased goodwill by \$653 million in 2017 and decreased goodwill by \$66 million in 2016. Business acquisitions increased goodwill by approximately \$79 million during 2016. The amount of goodwill related to reportable segments at December 31, 2017 was \$3.2 billion for the Established Pharmaceutical Products segment, \$286 million for the Nutritional Products segment, \$4.1 billion for the Diagnostic Products segment, and \$15.5 billion for the Cardiovascular and Neuromodulation Products segment. The Cardiovascular and Neuromodulation Products segment includes the amount previously reported under Abbott's Vascular Products segment, as well as the goodwill related to the St. Jude Medical acquisition. In 2017, there was no significant reduction of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was \$25.6 billion and \$10.4 billion as of December 31, 2017 and 2016, respectively, and accumulated amortization was \$8.1 billion and \$6.2 billion as of December 31, 2017 and 2016, respectively. The December 31, 2016 amounts exclude net intangible assets reported in non-current assets held for disposition. As part of the sale of AMO in 2017, approximately \$529 million of net intangible assets were included in the net assets sold. In 2017, the gross amount of amortizable intangible assets increased by approximately \$14.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of \$210 million due to the sale of certain businesses to Quidel and Siemens. In 2016, intangible assets increased by approximately \$104 million related to business acquisitions.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately \$3.9 billion and \$349 million at December 31, 2017 and 2016, respectively. In 2017, in-process research and development increased by \$4.5 billion due to the completion of the St. Jude Medical and Alere acquisitions, a portion of which became amortizable during the year. In 2017, Abbott also recorded a \$53 million impairment of an in-process research and development project related to the Cardiovascular and Neuromodulation Products segment. In 2016, Abbott recorded an impairment of a \$59 million in-process research and development project related to a non-reportable segment. Foreign currency translation increased intangible assets by \$227 million in 2017 and \$6 million in 2016.

The estimated annual amortization expense for intangible assets recorded at December 31, 2017 is approximately \$2.4 billion in 2018, \$2.3 billion in 2019, \$2.1 billion in 2020, \$2.0 billion in 2021 and \$2.0 billion in 2022. Amortizable intangible assets are amortized over 2 to 20 years (average 14 years).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8—RESTRUCTURING PLANS

In 2017, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the cardiovascular and neuromodulation segment and Alere into the diagnostics segment, in order to leverage economies of scale and reduce costs. In 2017, charges of approximately \$187 million, including one-time employee termination benefits were recorded, of which approximately \$5 million is recorded in Cost of products sold and approximately \$182 million in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately \$23 million as part of the St. Jude Medical and Alere acquisitions. The following summarizes the activity in 2017 related to these actions and the status of the related accrual as of December 31, 2017:

(in millions)	
Liabilities assumed as part of business acquisitions	\$ 23
Restructuring charges	187
Payments and other adjustments	(142)
Accrued balance at December 31, 2017	\$ 68

From 2014 to 2017, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately \$120 million in 2017, \$33 million in 2016, and \$95 million in 2015. Approximately \$7 million in 2017, \$9 million in 2016 and \$18 million in 2015 are recorded in Cost of products sold, approximately \$77 million in 2017, \$5 million in 2016 and \$34 million in 2015 are recorded in Research and development and approximately \$36 million in 2017, \$19 million in 2016 and \$43 million in 2015 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2017, \$2 million in 2016 and \$45 million in 2015 were recorded primarily for accelerated depreciation. The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2014	\$ 164
Payments and other adjustments	(46)
Accrued balance at December 31, 2014	118
Restructuring charges	95
Payments and other adjustments	(113)
Accrued balance at December 31, 2015	100
Restructuring charges	33
Payments and other adjustments	(67)
Accrued balance at December 31, 2016	66
Restructuring charges	120
Payments and other adjustments	(45)
Accrued balance at December 31, 2017	\$ 141

NOTE 9—INCENTIVE STOCK PROGRAM

In connection with the completion of the St. Jude Medical acquisition in the first quarter of 2017, unvested St. Jude Medical stock options and restricted stock units were assumed by Abbott and converted into Abbott options and restricted stock units (as applicable) of substantially equivalent value, in accordance with the merger agreement. The number of shares underlying the converted options was 7,364,571 at a weighted average exercise price of \$30.50. The number of restricted stock units converted was 2,324,500 at a weighted average grant date fair value of \$37.69.

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2017, Abbott granted 4,985,970 stock options, 580,203 restricted stock awards and 7,687,009 restricted stock units under this program.

Under Abbott's stock incentive programs, the purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options generally vest equally over three years. Restricted stock awards generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2017, approximately 169 million shares remained available for future issuance.

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2017 and December 31, 2016 was 15,518,719 and \$42.82 and 13,705,511 and \$41.03, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, converted, vested and lapsed during 2017 were 8,267,212 and \$45.20, 2,324,500 and \$37.69, 7,553,969 and \$40.77 and 1,224,535 and \$41.76, respectively. The fair market value of restricted stock awards and units vested in 2017, 2016 and 2015 was \$348 million, \$225 million and \$312 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Options Outstanding		Exercisable Options		
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2016	35,888,333	\$34.17	23,290,260	\$30.48	3.5
Granted	4,985,970	45.03			
Converted for St. Jude Medical	7,364,571	30.50			
Exercised	(11,620,026)	27.85			
Lapsed	(805,048)	39.76			
December 31, 2017	35,813,800	\$36.85	22,216,890	\$34.54	4.7

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2017 were each \$500 million. The total intrinsic value of options exercised in 2017, 2016 and 2015 was \$233 million, \$98 million and \$167 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2017 amounted to approximately \$291 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2017, 2016 and 2015 for share-based plans totaled approximately \$406 million, \$310 million and \$291 million, respectively, and the tax benefit recognized was approximately \$242 million, \$100 million and \$98 million, respectively. The increase in the 2017 tax benefit primarily relates to the \$120 million of tax benefit recorded in income after the adoption of ASU 2016-09. Stock compensation cost capitalized as part of inventory is not significant.

The fair value of an option granted in 2017, 2016 and 2015 was \$6.54, \$4.38, and \$6.67, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2017	2016	2015
Risk-free interest rate	2.1%	1.4%	1.8%
Average life of options (years)	6.0	6.0	6.0
Volatility	18.0%	17.0%	17.0%
Dividend yield	2.4%	2.7%	2.0%

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

NOTE 10—DEBT AND LINES OF CREDIT

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

(in millions)	2017	2016
5.125% Notes, due 2019	\$ 947	\$ 947
2.35% Notes, due 2019	2,850	2,850
2.50% Line of credit borrowing due 2019	1,150	—
2.80% Notes, due 2020	500	—
4.125% Notes, due 2020	597	597
2.00% Notes, due 2020	750	750
2.90% Notes, due 2021	2,850	2,850
2.55% Notes, due 2022	750	750
2.62% Term loan due 2022	2,800	—
3.25% Notes, due 2023	900	—
3.40% Notes, due 2023	1,500	1,500
3.875% Notes, due 2025	500	—
2.95% Notes, due 2025	1,000	1,000
3.75% Notes, due 2026	3,000	3,000
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.0% Notes, due 2039	515	515
5.3% Notes, due 2040	694	694
4.75% Notes, due 2043	700	—
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(119)	(117)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(121)	(102)
Total, net of current maturities	27,210	20,681
Current maturities of long-term debt	508	3
Total carrying amount	\$27,718	\$20,684

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott's long-term debt increased due to the assumption of outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

aggregate principal amount of approximately \$2.9 billion for debt issued by Abbott which consists of:

	Principal Amount
2.00% Senior Notes due 2018	\$473.8 million
2.80% Senior Notes due 2020	\$483.7 million
3.25% Senior Notes due 2023	\$818.4 million
3.875% Senior Notes due 2025	\$490.7 million
4.75% Senior Notes due 2043	\$ 639.1 million

Following this exchange, approximately \$194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately \$2.8 billion of various St. Jude Medical debt obligations.

On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed \$2.0 billion under a 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

In 2017, Abbott issued 364-day yen-denominated debt, of which \$195 million was outstanding at December 31, 2017. Abbott also paid off a \$479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to \$2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed \$2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017 Abbott borrowed \$1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit are part of a 2014 revolving credit agreement that provides Abbott with the ability to borrow up to \$5 billion on an unsecured basis. Advances under the revolving credit agreement, including the \$1.7 billion borrowing in October 2017, will mature and be payable on July 10, 2019. The \$1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off \$550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid \$3.0 billion of Alere's debt.

In November 2016, Abbott issued \$15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued \$2.85 billion of 2.35% Senior Notes due November 22, 2019; \$2.85 billion of 2.90% Senior Notes due November 30, 2021; \$1.50 billion of 3.40% Senior Notes due November 30, 2023; \$3.00 billion of 3.75% Senior Notes due November 30, 2026; \$1.65 billion of 4.75% Senior Notes due

November 30, 2036; and \$3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt, which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In March 2015, Abbott issued \$2.5 billion of long-term debt consisting of \$750 million of 2.00% Senior Notes due March 15, 2020; \$750 million of 2.55% Senior Notes due March 15, 2022; and \$1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. Abbott also entered into interest rate swap contracts totaling \$2.5 billion, of which \$1.5 billion was unwound in 2017. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

Principal payments required on long-term debt outstanding at December 31, 2017 are \$508 million in 2018, \$5.0 billion in 2019, \$1.8 billion in 2020, \$2.9 billion in 2021, \$3.6 billion in 2022 and \$14.3 billion in 2023 and thereafter.

At December 31, 2017, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott has readily available financial resources, including lines of credit of \$5.0 billion which expire in 2019 and that support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.3% at December 31, 2017, 0.6% at December 31, 2016 and 0.2% at December 31, 2015.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$9 billion in conjunction with its pending acquisition of Alere. This commitment, which was automatically extended for up to 90 days on January 29, 2017, expired on April 30, 2017 and was not renewed since Abbott did not need this bridge facility to finance the Alere acquisition. The fees associated with the bridge facilities were recognized in interest expense.

NOTE 11—FINANCIAL INSTRUMENTS, DERIVATIVES AND FAIR VALUE MEASURES

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with notional amounts totaling \$3.3 billion at December 31, 2017, and \$2.6 billion at December 31, 2016, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. At December 31, 2016, \$107 million of the notional amount related to AMO, a business that was divested in the first quarter of 2017. Accumulated gains and losses as of December 31, 2017 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months. The amount of hedge ineffectiveness was not significant in 2017, 2016 and 2015.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency

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of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. At December 31, 2017, 2016 and 2015, Abbott held notional amounts of \$20.1 billion, \$14.9 billion and \$14.0 billion, respectively, of such foreign currency forward exchange contracts. At December 31, 2016, \$1.2 billion of the contracts related to AMO, a business that was divested in the first quarter of 2017.

In March 2017, Abbott repaid its \$479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016 and 2015, the value of this short-term debt was \$454 million and \$439 million, respectively, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling notional amounts of \$4.0 billion at December 31, 2017, \$5.5 billion at December 31, 2016 and \$4.0 billion at December 31, 2015, to manage its exposure to changes in the fair value of fixed-rate debt.

These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2017, 2016 and 2015 for these hedges.

In the second quarter of 2017, Abbott unwound approximately \$1.5 billion in interest rate swaps relating to the 2.00% Note due in 2020 and the 2.55% Note due in 2022. The proceeds received were not significant.

In December 2016, Abbott unwound approximately \$1.5 billion in interest rate swaps relating to the 4.125% Note due in 2020 and the 5.125% Note due in 2019. As part of the unwinding, Abbott received approximately \$55 million in cash, which was included in the Cash Flow From Financing Activities section of the Consolidated Statement of Cash Flows in 2016.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled \$(5) million, \$10 million and \$171 million at December 31, 2017, 2016 and 2015, respectively.

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

(in millions)	Fair Value—Assets			Fair Value—Liabilities		
	2017	2016	Balance Sheet Caption	2017	2016	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	\$ —	\$ 8	Deferred income taxes and other assets	\$ 93	\$ 74	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts—						
Hedging instruments	21	99	Other prepaid expenses and receivables	106	15	Other accrued liabilities
Others not designated as hedges	117	177	Other prepaid expenses and receivables	99	67	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	N/A	—	454	Short-term borrowings
	\$138	\$284		\$298	\$610	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the

amounts and location of income (expense) and gain (loss) reclassified into income. The amount of hedge ineffectiveness was not significant in 2017, 2016 and 2015 for these hedges.

(in millions)	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			Income Statement Caption
	2017	2016	2015	2017	2016	2015	
Foreign currency forward exchange contracts designated as cash flow hedges	\$(226)	\$ 49	\$91	\$(48)	\$ 48	\$124	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(25)	(15)	6	—	—	—	N/A
Interest rate swaps designated as fair value hedges	N/A	N/A	N/A	(24)	(127)	15	Interest expense

Losses of \$64 million, gains of \$8 million and losses of \$77 million were recognized in 2017, 2016 and 2015, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

The interest rate swaps are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

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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.

(in millions)	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	\$ 797	\$ 797	\$ 2,906	\$ 2,906
Other	86	86	41	42
Total Long-term Debt	(27,718)	(29,018)	(20,684)	(21,147)
Foreign Currency Forward Exchange Contracts:				
Receivable position	138	138	276	276
(Payable) position	(205)	(205)	(82)	(82)
Interest Rate Hedge Contracts:				
Receivable position	—	—	8	8
(Payable) position	(93)	(93)	(74)	(74)

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

(in millions)	Outstanding Balances	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2017:				
Equity securities	\$ 374	\$ 374	\$ —	\$ —
Foreign currency forward exchange contracts	138	—	138	—
Total Assets	\$ 512	\$ 374	\$ 138	\$ —
Fair value of hedged long-term debt	\$3,898	\$ —	\$3,898	\$ —
Interest rate swap financial instruments	93	—	93	—
Foreign currency forward exchange contracts	205	—	205	—
Contingent consideration related to business combinations	120	—	—	120
Total Liabilities	\$4,316	\$ —	\$4,196	\$120
December 31, 2016:				
Equity securities	\$2,676	\$2,676	\$ —	\$ —
Interest rate swap financial instruments	8	—	8	—
Foreign currency forward exchange contracts	276	—	276	—
Total Assets	\$2,960	\$2,676	\$ 284	\$ —
Fair value of hedged long-term debt	\$5,413	\$ —	\$5,413	\$ —
Interest rate swap financial instruments	74	—	74	—
Foreign currency forward exchange contracts	82	—	82	—
Contingent consideration related to business combinations	136	—	—	136
Total Liabilities	\$5,705	\$ —	\$5,569	\$136

The decrease in equity securities in 2017 was driven by the sale of the remaining Mylan NV. ordinary shares held by Abbott. Abbott sold 69.75 million ordinary shares of Mylan NV. in 2017 which had a value of approximately \$2.7 billion. The fair value of the Mylan NV. equity securities up through the date of sale was determined based on the value of the publicly-traded ordinary shares. The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

The fair value of the contingent consideration was determined based on independent appraisals adjusted for the time value of money and other changes in fair value primarily resulting from changes in regulatory timelines. Contingent consideration relates to businesses acquired by Abbott. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately \$525 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

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NOTE 12—LITIGATION AND ENVIRONMENTAL MATTERS

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed \$4 million, and the aggregate cleanup exposure is not expected to exceed \$10 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately \$115 million to \$160 million. The recorded accrual balance at December 31, 2017 for these proceedings and exposures was

approximately \$135 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

NOTE 13—POST-EMPLOYMENT BENEFITS

Retirement plans consist of defined benefit, defined contribution and medical and dental plans. Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

(in millions)	Defined Benefit Plans		Medical and Dental Plans	
	2017	2016	2017	2016
Projected benefit obligations, January 1	\$ 8,517	\$7,820	\$1,274	\$1,262
Service cost—benefits earned during the year	283	263	25	26
Interest cost on projected benefit obligations	287	288	45	43
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	752	645	149	13
Benefits paid	(276)	(242)	(80)	(71)
Other, including foreign currency translation	390	(257)	(20)	1
Projected benefit obligations, December 31	\$ 9,953	\$8,517	\$1,393	\$1,274
Plan assets at fair value, January 1	\$ 7,542	\$6,772	\$ 416	\$ 441
Actual return on plans' assets	1,107	631	65	28
Company contributions	645	582	12	10
Benefits paid	(276)	(242)	(74)	(63)
Other, including foreign currency translation	280	(201)	—	—
Plan assets at fair value, December 31	\$ 9,298	\$7,542	\$ 419	\$ 416
Projected benefit obligations greater than plan assets, December 31	\$ (655)	\$ (975)	\$ (974)	\$ (858)
Long-term assets	\$ 563	\$ 340	\$ —	\$ —
Short-term liabilities	(21)	(18)	(2)	(1)
Long-term liabilities	(1,197)	(1,297)	(972)	(857)
Net liability	\$ (655)	\$ (975)	\$ (974)	\$ (858)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	\$ 3,466	\$3,301	\$ 456	\$ 373
Prior service cost (credits)	(9)	—	(208)	(254)
Total	\$ 3,457	\$3,301	\$ 248	\$ 119

The projected benefit obligations for non-U.S. defined benefit plans was \$3.0 billion and \$2.5 billion at December 31, 2017 and 2016, respectively. The accumulated benefit obligations for all defined benefit plans were \$8.9 billion and \$7.4 billion at December 31, 2017 and 2016, respectively.

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2017 and 2016, the aggregate

accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2017	2016
Accumulated benefit obligation	\$1,664	\$1,485
Projected benefit obligation	1,892	1,697
Fair value of plan assets	696	653

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

(in millions)	Defined Benefit Plans			Medical and Dental Plans		
	2017	2016	2015	2017	2016	2015
Service cost—benefits earned during the year	\$ 283	\$ 263	\$ 307	\$ 25	\$ 26	\$ 33
Interest cost on projected benefit obligations	287	288	314	45	43	52
Expected return on plans' assets	(613)	(565)	(511)	(33)	(35)	(39)
Amortization of actuarial losses	163	129	184	23	16	23
Amortization of prior service cost (credits)	1	—	1	(45)	(45)	(48)
Total cost	121	115	295	15	5	21
Less: Discontinued operations	—	—	(3)	—	—	—
Net cost—continuing operations	\$ 121	\$ 115	\$ 292	\$ 15	\$ 5	\$ 21

In 2017, Abbott recognized a \$10 million curtailment gain related to the sale of AMO.

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of \$247 million for defined benefit plans and \$97 million for medical and dental plans in 2017; net actuarial losses of \$571 million for defined benefit plans and \$20 million for medical and dental plans in 2016; net actuarial gains of \$37 million for defined benefit plans and \$116 million for medical and dental plans in 2015.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2017 that is expected to be recognized in the net periodic benefit cost in 2018 is \$213 million and \$1 million of expense, respectively, for defined benefit pension plans and \$31 million of expense and \$45 million of income, respectively, for medical and dental plans.

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

	2017	2016	2015
Discount rate	3.4%	3.9%	4.3%
Expected aggregate average long-term change in compensation	4.4%	4.3%	4.4%

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

	2017	2016	2015
Discount rate	3.9%	4.3%	3.9%
Expected return on plan assets	7.6%	7.6%	7.4%
Expected aggregate average long-term change in compensation	4.3%	4.3%	4.3%

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

	2017	2016	2015
Health care cost trend rate assumed for the next year	9%	8%	8%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2027	2027	2028

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2017, by \$179 million/\$150 million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately \$11 million/\$(9) million.

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

(in millions)	Outstanding Balances	Basis of Fair Value Measurement			Measured at NAV (k)
		Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	
December 31, 2017:					
Equities:					
U.S. large cap (a)	\$2,506	\$1,600	\$ —	\$ —	\$ 906
U.S. mid and small cap (b)	670	243	—	—	427
International (c)	1,937	448	—	—	1,489
Fixed income securities:					
U.S. government securities (d)	510	11	286	—	213
Corporate debt instruments (e)	930	107	411	—	412
Non-U.S. government securities (f)	625	222	—	—	403
Other (g)	216	93	27	—	96
Absolute return funds (h)	1,814	135	—	—	1,679
Commodities (i)	60	—	—	4	56
Cash and Cash Equivalents	178	12	—	—	166
Other (j)	271	7	—	—	264
	\$9,717	\$2,878	\$724	\$ 4	\$6,111
December 31, 2016:					
Equities:					
U.S. large cap (a)	\$1,889	\$1,284	\$ —	\$ —	\$ 605
U.S. mid and small cap (b)	549	183	—	—	366
International (c)	1,345	356	—	—	989
Fixed income securities:					
U.S. government securities (d)	437	5	258	—	174
Corporate debt instruments (e)	813	100	348	—	365
Non-U.S. government securities (f)	514	175	—	—	339
Other (g)	183	80	20	—	83
Absolute return funds (h)	1,891	106	—	—	1,785
Commodities (i)	84	—	—	12	72
Cash and Cash Equivalents	100	8	—	—	92
Other (j)	153	—	—	—	153
	\$7,958	\$2,297	\$626	\$12	\$5,023

- (a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.
(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.
(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.
(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.
(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.
(f) Primarily United Kingdom, Japan, the Netherlands and Irish government-issued bonds.
(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.
(h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.
(i) Primarily investments in liquid commodity future contracts and private energy funds.
(j) Primarily investments in private funds, such as private equity, private credit and private real estate.
(k) In accordance with ASU 2015-07, investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed.

Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2017 and 2016. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

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Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2017 and 2016. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 45 days. For approximately \$100 million of the absolute return funds, redemptions are subject to a 25% gate. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2018 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2017 and 2016 were not significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2018 to 2027. Abbott's unfunded commitment in these funds was \$489 million and \$337 million as of December 31, 2017 and 2016, respectively.

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

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

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded \$645 million in 2017 and \$582 million in 2016 to defined pension plans. Abbott expects to contribute approximately \$114 million to its pension plans in 2018.

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

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2018	\$ 278	\$ 68
2019	289	71
2020	307	74
2021	324	77
2022	344	79
2023 to 2027	2,032	421

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were \$79 million in 2017, \$83 million in 2016 and \$81 million in 2015.

NOTE 14—TAXES ON EARNINGS FROM CONTINUING OPERATIONS

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

The Tax Cuts and Jobs Act ("TCJA") was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of \$1.46 billion for the impact of the TCJA, which is included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate is provisional and includes a charge of approximately \$2.89 billion for the transition tax, partially offset by a net benefit of approximately \$1.42 billion for the remeasurement of deferred tax assets and liabilities and a net benefit of approximately \$10 million related to certain other impacts of the TCJA.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. Abbott has not yet completed its calculation of the total post-1986 E&P for its foreign subsidiaries. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. This amount may change as Abbott finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash and other specified assets. Abbott plans to elect to pay the transition tax over eight years as allowed by the TCJA.

Given the significant complexity of the TCJA, Abbott will continue to evaluate and analyze the impact of this legislation. The \$1.46 billion estimate is provisional and is based on Abbott's initial analysis of the TCJA and may be materially adjusted in future periods due to among other things, additional analysis performed by Abbott and additional guidance that may be issued by the U.S. Department of Treasury, the Securities and Exchange Commission, or the Financial Accounting Standards Board.

In 2017, taxes on earnings from continuing operations also include \$435 million of tax expense related to the gain on the sale of the AMO business. In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO. In 2015, taxes on earnings from continuing operations include a tax cost of \$71 million related to the disposal of shares of Mylan N.V. stock.

No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in

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these entities is not practicable. In the U.S., Abbott's federal income tax returns through 2013 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2012. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

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

(in millions)	2017	2016	2015
Earnings From Continuing Operations Before Taxes:			
Domestic	\$ 308	\$ 306	\$ 789
Foreign	1,923	1,107	2,394
Total	\$2,231	\$1,413	\$3,183

(in millions)	2017	2016	2015
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	\$2,260	\$ 71	\$ 64
Foreign	508	406	220
Total current	2,768	477	284
Deferred:			
Domestic	(679)	(147)	313
Foreign	(211)	20	(20)
Total deferred	(890)	(127)	293
Total	\$1,878	\$ 350	\$577

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

	2017	2016	2015
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Impact of foreign operations	(16.3)	(17.8)	(18.2)
Impact of TCJA	65.5	—	—
Excess tax benefits related to stock compensation	(5.4)	—	—
Research tax credit	(1.9)	(1.8)	(0.6)
Resolution of certain tax positions pertaining to prior years	—	(16.1)	—
Mylan share adjustment	—	25.5	—
State taxes, net of federal benefit	0.5	(1.3)	0.3
Federal tax cost on sale of Mylan N.V. shares	3.4	—	2.2
All other, net	3.4	1.3	(0.6)
Effective tax rate on earnings from continuing operations	84.2%	24.8%	18.1%

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015.

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

(in millions)	2017	2016
Deferred tax assets:		
Compensation and employee benefits	\$ 881	\$ 1,061
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,795	2,384
Trade receivable reserves	185	207
Inventory reserves	152	157
Deferred intercompany profit	249	231
State income taxes	62	164
Total deferred tax assets before valuation allowance	4,324	4,204
Valuation allowance	(1,355)	(189)
Total deferred tax assets	\$ 2,969	\$ 4,015
Deferred tax liabilities:		
Depreciation	(200)	(152)
Unremitted earnings of foreign subsidiaries	—	(175)
Other, primarily the excess of book basis over tax basis of intangible assets	(3,385)	(2,018)
Total deferred tax liabilities	(3,585)	(2,345)
Total net deferred tax assets (liabilities)	\$ (616)	\$ 1,670

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset. The increase in the valuation allowance from 2016 to 2017 relates to deferred tax assets recorded in certain entities acquired as part of the acquisition of St. Jude Medical. Abbott does not believe that it is more likely than not that the benefits of these deferred tax assets will be realized.

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

(in millions)	2017	2016
January 1	\$ 972	\$1,438
Increase in tax positions due to acquisitions	479	—
Increase due to current year tax positions	187	145
Increase due to prior year tax positions	76	101
Decrease due to prior year tax positions	(176)	(703)
Settlements	(57)	(9)
Lapse of statute	(41)	—
December 31	\$1,440	\$ 972

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately \$1.36 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of \$150 million to \$300 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15—SEGMENT AND GEOGRAPHIC AREA INFORMATION

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. On January 4, 2017, Abbott completed the acquisition of St. Jude Medical. Beginning with the first quarter of 2017, Abbott's cardiovascular and neuromodulation business includes the results of its historical Vascular Products segment and the results of the businesses acquired from St. Jude Medical from the date of acquisition. On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

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

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

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

Cardiovascular and Neuromodulation Products—Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart and neuromodulation products.

Non-reportable segments include AMO through the date of sale and Diabetes Care.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating

segments, and intangible assets and goodwill are not included in the measure of each segment's assets. 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.

(in millions)	Net Sales to External Customers (a)			Operating Earnings (a)		
	2017	2016	2015	2017	2016	2015
Established Pharmaceuticals	\$ 4,287	\$ 3,859	\$ 3,720	\$ 848	\$ 723	\$ 658
Nutritionals	6,925	6,899	6,975	1,589	1,660	1,741
Diagnostics	5,616	4,813	4,646	1,468	1,194	1,171
Cardiovascular and Neuromodulation	8,911	2,896	2,792	2,720	1,037	1,061
Total Reportable Segments	25,739	18,467	18,133	\$ 6,625	\$ 4,614	\$ 4,631
Other	1,651	2,386	2,272			
Total	\$27,390	\$20,853	\$20,405			

(a) Net sales were unfavorably affected by the relatively stronger U.S. dollar in 2016 and 2015. Operating earnings were unfavorably affected by the impact of foreign exchange in 2017, 2016 and 2015.

(in millions)	2017	2016	2015
Total Reportable Segment Operating Earnings	\$ 6,625	\$ 4,614	\$ 4,631
Corporate functions and benefit plans costs	(506)	(411)	(416)
Non-reportable segments	306	304	268
Net interest expense	(780)	(332)	(58)
Share-based compensation	(406)	(310)	(291)
Amortization of intangible assets	(1,975)	(550)	(601)
Other, net (b)	(1,033)	(1,902)	(350)
Earnings from Continuing Operations before Taxes	\$ 2,231	\$ 1,413	\$ 3,183

(b) Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business in 2017. In 2016, Other, net includes the \$947 million adjustment of the Mylan equity investment and \$480 million of foreign currency exchange loss related to operations in Venezuela. Charges for restructuring actions and other cost reduction initiatives were approximately \$384 million in 2017, \$167 million in 2016 and \$310 million in 2015. 2015 includes a \$207 million pre-tax gain on the sale of a portion of the Mylan NV. ordinary shares.

(in millions)	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Established Pharmaceuticals	\$ 90	\$ 71	\$ 83	\$ 181	\$ 150	\$ 112	\$ 2,728	\$ 2,486	\$ 2,210
Nutritionals	164	160	157	147	199	139	3,160	3,189	3,187
Diagnostics	300	267	310	374	379	319	4,226	2,945	2,844
Cardiovascular and Neuromodulation	298	69	74	206	23	32	5,074	1,425	1,536
Total Reportable Segments	852	567	624	908	751	602	\$15,188	\$10,045	\$9,777
Other	194	236	247	227	370	508			
Total	\$1,046	\$803	\$871	\$1,135	\$1,121	\$1,110			

(c) Amounts exclude property, plant and equipment acquired through business acquisitions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions)	2017	2016	2015
Total Reportable Segment Assets	\$15,188	\$10,045	\$ 9,777
Cash and investments	10,493	21,722	10,166
Non-reportable segments	740	1,280	1,267
Goodwill and intangible assets (d)	45,493	12,222	15,200
All other (d)	4,336	7,397	4,837
Total Assets	\$76,250	\$52,666	\$41,247

(d) Goodwill and intangible assets related to AMO are included in the All other line in 2016.

(in millions)	Net Sales to External Customers (e)		
	2017	2016	2015
United States	\$ 9,673	\$ 6,486	\$ 6,270
China	2,146	1,728	1,796
Germany	1,366	1,044	1,004
Japan	1,255	924	895
India	1,237	1,114	1,053
The Netherlands	929	830	855
Switzerland	841	766	784
Russia	664	554	483
France	628	352	375
Brazil	541	410	381
Italy	507	365	383
United Kingdom	498	377	430
Colombia	494	424	388
Canada	443	408	428
Vietnam	427	434	331
All Other Countries	5,741	4,637	4,549
Consolidated	\$27,390	\$20,853	\$20,405

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

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2017 and 2016, Long-lived assets totaled \$8.9 billion and \$6.6 billion, respectively, and in the United States such assets totaled \$4.5 billion and \$3.1 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

NOTE 16—QUARTERLY RESULTS (UNAUDITED)

(in millions except per share data)

	2017	2016
First Quarter		
Continuing Operations:		
Net Sales	\$6,335	\$4,885
Gross Profit	2,769	2,601
Earnings from Continuing Operations	386	56
Basic Earnings per Common Share	0.22	0.04
Diluted Earnings per Common Share	0.22	0.04
Net Earnings	419	316
Basic Earnings Per Common Share (a)	0.24	0.21
Diluted Earnings Per Common Share (a)	0.24	0.21
Market Price Per Share-High	45.84	44.05
Market Price Per Share-Low	38.34	36.00

Second Quarter

Continuing Operations:		
Net Sales	\$6,637	\$5,333
Gross Profit	3,072	2,901
Earnings from Continuing Operations	270	599
Basic Earnings per Common Share	0.15	0.40
Diluted Earnings per Common Share	0.15	0.40
Net Earnings	283	615
Basic Earnings Per Common Share (a)	0.16	0.41
Diluted Earnings Per Common Share (a)	0.16	0.41
Market Price Per Share-High	49.59	44.58
Market Price Per Share-Low	42.31	36.76

Third Quarter

Continuing Operations:		
Net Sales	\$6,829	\$5,302
Gross Profit	3,471	2,877
Earnings (Loss) from Continuing Operations	561	(357)
Basic Earnings (Loss) per Common Share	0.32	(0.24)
Diluted Earnings (Loss) per Common Share	0.32	(0.24)
Net Earnings (Loss)	603	(329)
Basic Earnings (Loss) Per Common Share (a)	0.34	(0.22)
Diluted Earnings (Loss) Per Common Share (a)	0.34	(0.22)
Market Price Per Share-High	54.80	45.79
Market Price Per Share-Low	47.83	39.16

Fourth Quarter

Continuing Operations:		
Net Sales	\$7,589	\$5,333
Gross Profit	3,766	2,900
Earnings (Loss) from Continuing Operations	(864)	765
Basic Earnings (Loss) per Common Share	(0.50)	0.51
Diluted Earnings (Loss) per Common Share	(0.50)	0.51
Net Earnings (Loss)	(828)	798
Basic Earnings (Loss) Per Common Share (a)	(0.48)	0.54
Diluted Earnings (Loss) Per Common Share (a)	(0.48)	0.53
Market Price Per Share-High	57.77	43.78
Market Price Per Share-Low	53.20	37.38

(a) The sum of the four quarters of earnings per share for 2017 and 2016 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2017. In making this assessment, it used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As allowed by SEC guidance, management excluded from its assessment the October 2017 acquisition of Alere Inc. which accounted for approximately 13% of Abbott's total assets and 2% of Abbott's total net sales from continuing operations as of and for the year ended December 31, 2017. Based on our assessment, we believe that, as of December 31, 2017, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 59.

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

Brian B. Yoor
Executive Vice President, Finance and Chief Financial Officer

Robert E. Funck
Vice President, Controller

February 16, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Abbott Laboratories

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2018 expressed an unqualified opinion thereon.

BASIS FOR OPINION

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

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

/s/ Ernst & Young LLP

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

Chicago, Illinois
February 16, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Abbott Laboratories

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

As indicated in the accompanying Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Alere Inc., which is included in the 2017 consolidated financial statements of the Company and constituted approximately 13% of total assets at December 31, 2017 and 2% of total net sales from continuing operations for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Alere Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2017, and the related notes of the Company and our report dated February 16, 2018 expressed an unqualified opinion thereon.

BASIS FOR OPINION

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

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

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

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

/s/ Ernst & Young LLP

Chicago, Illinois
February 16, 2018

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

MARKET PRICE SENSITIVE INVESTMENTS

The fair value of the available-for-sale equity securities held by Abbott was approximately \$11 million and \$2.7 billion as of December 31, 2017 and 2016, respectively. The year-over-year decrease is primarily due to sale of the remaining ordinary shares of Mylan N.V. that Abbott received in the sale of its developed markets branded generics pharmaceuticals business. As of December 31, 2017, Abbott no longer held an ownership interest in Mylan N.V. All available-for-sale equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2017 by approximately \$2 million. Abbott monitors these investments for other than temporary declines in fair value, and charges impairment losses to income when an other than temporary decline in fair value occurs. Abbott also holds \$363 million of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan. These investments are classified as trading securities.

NON-PUBLICLY TRADED EQUITY SECURITIES

Abbott holds equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately \$263 million and \$151 million as of December 31, 2017 and 2016, respectively. No individual investment is recorded at a value in excess of \$67 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated fair value occurs.

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS

At December 31, 2017 and 2016, Abbott had interest rate hedge contracts totaling \$4.0 billion and \$5.5 billion, respectively, to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. The fair value of long-term debt at December 31, 2017 and 2016 amounted to \$29.0 billion and \$21.1 billion, respectively (average interest rates of 3.6% and 3.8% as of December 31, 2017 and 2016, respectively) with maturities through 2046. At December 31, 2017 and 2016, the fair value of current and

long-term investment securities amounted to approximately \$1.1 billion and \$3.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

FOREIGN CURRENCY SENSITIVE FINANCIAL INSTRUMENTS

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in foreign currency exchange rates and are marked-to-market with the resulting gains or losses reflected in Accumulated other comprehensive income (loss). Gains or losses will be included in Cost of products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2017 and 2016, Abbott held \$3.3 billion and \$2.6 billion, respectively, of such contracts. Contracts held at December 31, 2017 will mature in 2018 or 2019 depending upon the contract. Contracts held at December 31, 2016 matured in 2017 or will mature in 2018 depending upon the contract. At December 31, 2016, \$107 million of the notional amount related to AMO, a business that was divested in the first quarter of 2017.

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2017 and 2016, Abbott held \$20.1 billion and \$14.9 billion, respectively, of such contracts, which generally mature in the next twelve months. At December 31, 2016, \$1.2 billion of the contracts related to AMO, a business that was divested in the first quarter of 2017.

In March 2017, Abbott repaid its \$479 million foreign denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016 and 2015, the value of this short-term debt was \$454 million and \$439 million, respectively, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2017 and 2016:

	2017			2016		
	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/(Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/(Payable)
(dollars in millions)						
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	\$16,877	1.1861	\$(24)	\$11,110	1.0570	\$ 28
British Pound	609	1.3300	(5)	514	1.2817	15
Japanese Yen	1,109	110.5370	15	1,024	110.6955	44
Canadian Dollar	597	1.2799	(4)	639	1.3378	3
All other currencies	4,245	N/A	(49)	4,166	N/A	104
Total	\$23,437		\$(67)	\$17,453		\$194

FINANCIAL REVIEW

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are nutritional products, diagnostic testing products, branded generic pharmaceuticals and cardiovascular and neuromodulation products. Sales in international markets comprise approximately 65 percent of consolidated net sales.

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for \$51.00 per common share in cash, which equated to a purchase price of approximately \$4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately \$0.7 billion. In addition, approximately \$3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately \$5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the \$30 billion cardiovascular device market, as well as in neuromodulation which treats chronic pain and movement disorders. Abbott's Cardiovascular and Neuromodulation reportable segment includes the results of its historical Vascular Products segment and the results of the businesses acquired from St. Jude Medical from the date of acquisition.

In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for \$4.325 billion in cash. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In 2017, Abbott recognized a pre-tax gain of \$1.163 billion and an after-tax gain of \$728 million related to the sale of AMO. The operating results of AMO were included in Earnings from Continuing Operations up to the date of sale as the business did not qualify for reporting as discontinued operations.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million ordinary shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. In April 2015, Abbott sold 40.25 million of its Mylan N.V. ordinary shares and in 2017, Abbott sold the remaining 69.75 million ordinary shares. Proceeds from the sale of the 110 million ordinary shares totaled \$5.0 billion.

The sales increase over the last three years was driven primarily by the 2017 acquisitions of St. Jude Medical and Alere and sales growth in the established pharmaceuticals and diagnostics businesses. In 2017, the acquisitions of St. Jude Medical and Alere, partially offset by the sale of AMO, contributed 26.5 percentage points of Abbott's total sales growth. Sales in emerging markets, which represent approximately 40 percent of total company sales, increased 13.9 percent in 2017 and 6.3 percent in 2016, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was impacted by several factors. In 2017, Abbott's operating margin decreased by approximately 900 basis points primarily due to costs associated with the acquisitions, including higher intangible amortization expense, inventory step-up amortization and integration costs, partially offset by operating margin improvement across various businesses. In 2016 and 2015, Abbott expanded its operating margin by approximately 120 basis points per year primarily due to margin improvement in the nutritional and diagnostics businesses.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets, as well as by numerous new product introductions that leveraged Abbott's strong brands. These positive factors were offset by challenging conditions in various markets over the last three years. In 2017, the nutritionals business experienced growth in the U.S. due to above-market performance in Abbott's infant and toddler brands, including PediaSure®, Pedialyte® and Similac®. Increased 2017 sales in China and India were partially offset by challenging market conditions in the infant formula market in various emerging markets. With respect to the profitability of the nutritional products business, manufacturing and distribution process changes, as well as other cost reductions drove margin improvements across the business over the last three years although such improvements were offset by increased commodity costs in 2017. The decrease in operating margins for this business from 25.0 percent of sales in 2015 to 22.9 percent in 2017 was almost entirely due to the negative impact of foreign exchange.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October of 2017, as well as continued market penetration by the Core Laboratory business in the U.S. and China, and growth in other emerging markets. In addition, the Point of Care diagnostics business experienced sales growth led by the continued adoption of Abbott's i-STAT® handheld system. Worldwide diagnostic sales increased 16.7 percent in 2017 and 5.5 percent in 2016, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostics Products segment increased 5.5 percent in 2017. In 2017, Abbott continued the international roll-out of its recently launched Alinity systems for the core laboratory, including "Alinity c" for clinical chemistry, "Alinity i" for immunoassay diagnostics and "Alinity s" for blood and plasma screening. In the fourth quarter of 2017, Abbott received FDA approval in the U.S. for the "Alinity c" and "Alinity i" instruments for clinical chemistry and immunoassay diagnostics. Alinity is an integrated family of next-generation diagnostic systems and solutions which are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results.

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Margin improvement continued to be a key focus for the diagnostics business in 2017 although such improvements were partially offset by the negative impact of foreign exchange. Operating margins increased from 25.2 percent of sales in 2015 to 26.1 percent in 2017 as the business continued to execute on efficiency initiatives in the manufacturing and supply chain functions.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets after the sale of its developed markets business to Mylan on February 27, 2015. Excluding the impact of foreign exchange, Established Pharmaceutical sales from continuing operations increased 9.5 percent in 2017 and 10.5 percent in 2016. The sales increase in 2017 was driven by double-digit growth in China and various countries in Latin America. Operating margins increased from 17.7 percent of sales in 2015 to 19.8 percent in 2017.

Since the beginning of the first quarter of 2017, the results of Abbott's Cardiovascular and Neuromodulation Products segment includes Abbott's historical Vascular Products segment and St. Jude Medical from the date of acquisition. Excluding the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment increased 207.4 percent in 2017 and 4.5 percent in 2016. The sales increase in 2017 was driven by the acquisition of St. Jude Medical. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Cardiovascular and Neuromodulation Products segment were essentially unchanged in 2017 versus the prior year. In 2017, higher Structural Heart and endovascular sales were offset by lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement. In 2016, sales growth was driven by double-digit growth in Abbott's sales of its MitraClip structural heart device for the treatment of mitral regurgitation, as well as endovascular franchise sales growth. These increases were partially offset by pricing pressures primarily related to drug-eluting stents (DES) and lower market share for Abbott's XIENCE DES franchise in certain geographies. In 2017, operating earnings for this segment increased over 160 percent; the operating margin profile declined from 38.0 percent of sales in 2015 to 30.5 percent in 2017 primarily due to the mix of business resulting from the acquisition of St. Jude Medical and ongoing pricing pressures in the coronary business.

In 2017, Abbott obtained regulatory approval for various products in addition to the approvals described above in the diagnostics business. In its Cardiovascular and Neuromodulation Products segment, Abbott received U.S. FDA approvals for magnetic resonance (MR) conditional labeling across its full suite of pacemaker, implantable cardioverter defibrillator (ICD), and cardiac resynchronization therapy defibrillator (CRT-D) devices. Abbott announced CE Mark and received U.S. FDA clearance for its Confirm Rx Insertable Cardiac Monitor (ICM), the first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias. Abbott received U.S. FDA approval for its HeartMate 3 system, which helps a weak heart pump blood through the body for advanced heart failure patients in need of short-term hemodynamic support (bridge-to-transplant or bridge to myocardial recovery). Abbott obtained CE Mark for its XIENCE Sierra product, which is the next generation of its drug-eluting coronary stent system. In its diabetes business, Abbott received U.S. FDA approval for its FreeStyle Libre system, which is the only continuous glucose monitoring system that does not require any user calibration.

Abbott's short- and long-term debt totaled \$27.9 billion and \$22.0 billion at December 31, 2017 and 2016, respectively. At December 31, 2017, Abbott's long-term debt rating was BBB by Standard and Poor's Corporation and Baa3 by Moody's Investors

Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott is committed to reducing its debt levels following the recent acquisitions of St. Jude Medical and Alere. In January 2018, Abbott repaid \$3.95 billion of debt and anticipates additional debt repayments throughout 2018. On February 16, 2018, the board of directors authorized the additional redemption of up to \$5 billion of currently outstanding long-term notes.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott assumed outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately \$2.9 billion for debt issued by Abbott which consists of: \$473.8 million of 2.00% Senior Notes due 2018; \$483.7 million of 2.80% Senior Notes due 2020; \$818.4 million of 3.25% Senior Notes due 2023; \$490.7 million of 3.875% Senior Notes due 2025; and \$639.1 million of 4.75% Senior Notes due 2043. Following this exchange, approximately \$194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately \$2.8 billion of various St. Jude Medical debt obligations.

On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed \$2.0 billion under a 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017. In 2017, Abbott also issued 364-day yen-denominated debt, of which \$195 million was outstanding at December 31, 2017. Abbott also paid off a \$479 million yen-denominated short-term borrowing during the year.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to \$2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed \$2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018.

On October 3, 2017, Abbott borrowed \$1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The \$1.7 billion borrowing was payable on July 10, 2019 and bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. In the fourth quarter of 2017, Abbott paid off \$550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

In anticipation of the acquisition of St. Jude Medical, in November 2016, Abbott issued \$15.1 billion of long-term debt consisting of \$2.85 billion at 2.35% maturing in 2019; \$2.85 billion at 2.90% maturing in 2021; \$1.50 billion at 3.40% maturing in 2023; \$3.00 billion at 3.75% maturing in 2026; \$1.65 billion at 4.75% maturing in 2036; and \$3.25 billion at 4.90% maturing in 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt, which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

Abbott declared dividends of \$1.075 per share in 2017 compared to \$1.045 per share in 2016, an increase of approximately 3%.

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Dividends paid were \$1.849 billion in 2017 compared to \$1.539 billion in 2016. The year-over-year change in dividends reflects the impact of the increase in the dividend rate and the additional shares issued to finance the St. Jude Medical acquisition. In December 2017, Abbott increased the company's quarterly dividend by approximately 6% to \$0.280 per share from \$0.265 per share, effective with the dividend paid in February 2018.

In 2018, Abbott will focus on integrating Alere and paying down debt, as well as several other key initiatives. The focus of the integration will be to create an organization that expands Abbott's diagnostics business into new products, channels and geographies. In the cardiovascular and neuromodulation business, Abbott will continue to build its product portfolio and focus on obtaining product approvals across numerous countries.

In the nutritional business, Abbott will continue to build its product portfolio with the introduction of new science-based products, expand in high-growth emerging markets and implement additional margin improvement initiatives. In the established pharmaceuticals business, Abbott will continue to focus on obtaining additional product approvals across numerous countries and increasing its penetration of emerging markets. In Abbott's other segments, Abbott will focus on developing differentiated technologies in higher growth markets.

CRITICAL ACCOUNTING POLICIES

Sales Rebates—In 2017, approximately 43 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2017 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2017, 2016 and 2015 amounted to approximately \$2.8 billion, \$2.5 billion and \$2.2 billion, respectively, or 20.5 percent, 22.9 percent and 21.6 percent of gross sales, respectively, based on gross sales of approximately \$13.9 billion, \$10.7 billion and \$10.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately \$139 million in 2017. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately \$199 million, \$160 million and \$124 million for cash discounts in 2017, 2016 and 2015, respectively, and \$204 million, \$242 million and \$238 million for returns in 2017, 2016 and 2015, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be

reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management has access to several large customers' inventory management data, and for other customers, utilizes data from a third party that measures time on the retail shelf. These sources allow management to make reliable estimates of inventory in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably determinable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market research. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2017, Abbott had WIC business in 29 states.

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

Income Taxes—Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2013 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2012. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax related to the U.S. Tax Cuts and Jobs Act, or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations.

Pension and Post-Employment Benefits—Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure

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liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2017, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of \$3.5 billion and \$248 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 13 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets—Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2017, goodwill amounted to \$24.0 billion and intangibles amounted to \$21.5 billion. Amortization expense in continuing operations for intangible assets amounted to \$2.0 billion in 2017, \$550 million in 2016 and \$601 million in 2015. There was no significant reduction of goodwill relating to impairments in 2017, 2016 and 2015.

Litigation—Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is

often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions.

Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately \$115 million to \$160 million for its legal proceedings and environmental exposures. Accruals of approximately \$135 million have been recorded at December 31, 2017 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

RESULTS OF OPERATIONS

SALES

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

	Components of % Change				
	Total % Change	2017 Business			
		Acquisitions/ Divestitures	Price	Volume	Exchange
Total Net Sales					
2017 vs. 2016	31.3	26.5	(0.6)	5.1	0.3
2016 vs. 2015	2.2	—	(1.1)	5.9	(2.6)
Total U.S.					
2017 vs. 2016	49.1	46.9	(0.9)	3.1	—
2016 vs. 2015	3.4	—	(2.9)	6.3	—
Total International					
2017 vs. 2016	23.3	17.3	(0.4)	6.0	0.4
2016 vs. 2015	1.6	—	(0.3)	5.7	(3.8)
Established Pharmaceutical Products Segment					
2017 vs. 2016	11.1	—	2.3	7.2	1.6
2016 vs. 2015	3.7	—	3.0	7.5	(6.8)
Nutritional Products Segment					
2017 vs. 2016	0.4	—	0.3	0.3	(0.2)
2016 vs. 2015	(1.1)	—	(0.4)	1.6	(2.3)
Diagnostic Products Segment					
2017 vs. 2016	16.7	11.2	(1.1)	6.6	—
2016 vs. 2015	3.6	—	(1.2)	6.7	(1.9)
Cardiovascular and Neuromodulation Products Segment					
2017 vs. 2016	207.7	207.2	(4.3)	4.5	0.3
2016 vs. 2015	3.7	—	(5.3)	9.8	(0.8)

The increase in Total Net Sales in 2017 reflects the acquisitions of St. Jude Medical and Alere, as well as organic growth in the established pharmaceuticals and diagnostics businesses. The increase in 2016 reflects unit growth, partially offset by the impact of unfavorable foreign exchange. The price declines related to the Cardiovascular and Neuromodulation Products segment in 2017 and 2016 primarily reflect pricing pressure on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

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

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(dollars in millions)	2017	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals—				
Key Emerging Markets	\$3,307	14%	2%	12%
Other	980	3	1	2
Nutritionals—				
International Pediatric Nutritionals	2,112	(4)	—	(4)
U.S. Pediatric Nutritionals	1,777	6	—	6
International Adult Nutritionals	1,782	3	(1)	4
U.S. Adult Nutritionals	1,254	(3)	—	(3)
Diagnostics—				
Core Laboratory	4,063	6	—	6
Molecular	463	2	1	1
Point of Care	550	7	—	7
Rapid Diagnostics	540	n/m	n/m	n/m
Cardiovascular and Neuromodulation—				
Rhythm Management	2,103	n/m	n/m	n/m
Electrophysiology	1,382	n/m	n/m	n/m
Heart Failure	643	n/m	n/m	n/m
Vascular	2,892	14	—	14
Structural Heart	1,083	208	1	207
Neuromodulation	808	n/m	n/m	n/m

n/m = Percent change is not meaningful.

(dollars in millions)	2016	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals—				
Key Emerging Markets	\$2,912	5%	(8)%	13%
Other	947	1	(1)	2
Nutritionals—				
International Pediatric Nutritionals	2,206	(7)	(4)	(3)
U.S. Pediatric Nutritionals	1,677	5	—	5
International Adult Nutritionals	1,724	—	(4)	4
U.S. Adult Nutritionals	1,292	1	—	1
Diagnostics—				
Core Laboratory	3,844	4	(2)	6
Molecular	456	(2)	(1)	(1)
Point of Care	513	8	—	8
Rapid Diagnostics	—	—	—	—
Cardiovascular and Neuromodulation—				
Rhythm Management	—	—	—	—
Electrophysiology	12	(17)	—	(17)
Heart Failure	—	—	—	—
Vascular	2,532	1	—	1
Structural Heart	352	35	(1)	36
Neuromodulation	—	—	—	—

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

Total Established Pharmaceutical Products sales increased 9.5 percent in 2017 and 10.5 percent in 2016, excluding the impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 11.9 percent in 2017 and 13.3 percent in 2016. Excluding the impact of foreign exchange, 2017 sales in several geographies including China and various countries in Latin America experienced double-digit growth. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 2.2 percent in 2017 and increased 2.0 percent in 2016. The 2017 sales growth for Established Pharmaceuticals' other emerging markets includes the unfavorable impact of Venezuelan operations. Excluding Venezuela and the effect of foreign exchange, sales in other emerging markets increased 7.5 percent.

Total Nutritional Products sales increased 0.6 percent in 2017 and 1.2 percent in 2016, excluding the unfavorable impact of foreign exchange. In Abbott's International Pediatric Nutritional business, the 2017 decrease in sales was driven by challenging market conditions in the infant formula market in various emerging markets, partially offset by growth in China and India. The 2017 growth in China reflects a partial recovery from the 2016 sales decline in China. The 2016 decrease in sales was driven by challenging market conditions in China, including the impact of new food safety regulations, which contributed to an oversupply of product in the market. The 2016 sales decrease in China was partially offset by strong performance in several markets across Latin America and Southeast Asia.

The increases in U.S. Pediatric Nutritional 2017 and 2016 sales primarily reflect continued above-market performance in Abbott's infant and toddler brands, including PediaSure®, Pedialyte® and Similac®.

Excluding the unfavorable impact of foreign exchange, the 2017 and 2016 increases in International Adult Nutritional sales are due primarily to growth in Ensure®, Abbott's market-leading complete and balanced nutrition brand, as well as volume growth in emerging markets and continued expansion of the adult nutrition category internationally. U.S. Adult Nutritional revenues decreased in 2017 due to competitive and market dynamics, while sales increased in 2016 driven by the growth of Ensure® sales.

Total Diagnostic Products sales increased 16.7 percent in 2017 and 5.5 percent in 2016, excluding the impact of foreign exchange. The sales increase in 2017 included the acquisition of Alere, which was completed on October 3, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Diagnostics Products segment increased 5.5 percent primarily driven by share gains in the Core Laboratory markets globally, as well as strong performance in Point of Care led by the continued adoption of Abbott's i-STAT® handheld system. The 2016 sales increase was primarily driven by share gains in the Core Laboratory and Point of Care markets in the U.S. and internationally.

Excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 2074 percent in 2017 and 4.5 percent in 2016. The sales increase in 2017 was primarily driven by the acquisition of St. Jude Medical which was completed on January 4, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the vascular business were essentially flat in 2017 versus the prior year as lower coronary stent sales and the comparison impact from the favorable

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2016 resolution of a third-party royalty agreement were offset by higher Structural Heart and endovascular sales. In 2016, double-digit growth in sales of Abbott's *MitraClip* structural heart device for the treatment of mitral regurgitation was partially offset by lower sales of DES products. The increase in the Endovascular business was driven by higher *Supera* and vessel closure sales. Cardiovascular and Neuromodulation Products sales in 2016 were also favorably impacted by the resolution of previously disputed third party royalty revenue related to the prior year. Excluding this royalty impact, worldwide sales of Cardiovascular and Neuromodulation Products would have increased 3.4 percent in 2016.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2017, 2016 and 2015.

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

In April 2017, Abbott received a warning letter from the U.S. Food and Drug Administration (FDA) related to its manufacturing facility in Sylmar, CA which was acquired by Abbott on January 4, 2017 as part of the acquisition of St. Jude Medical. This facility manufactures implantable cardioverter defibrillators, cardiac resynchronization therapy defibrillators, and monitors. The warning letter relates to the FDA's observations from an inspection of this facility. Abbott has prepared a comprehensive plan of corrective actions which has been provided to the FDA. Execution of the plan is progressing.

OPERATING EARNINGS

Gross profit margins were 47.7 percent of net sales in 2017, 54.1 percent in 2016 and 54.2 percent in 2015. In 2017, the decrease primarily reflects higher intangible amortization expense and inventory step-up amortization related to the St. Jude Medical and Alere acquisitions, partially offset by margin improvements in various businesses. In 2016, the unfavorable effect of foreign exchange offset continued underlying margin expansion, primarily in the Diagnostics and Nutritional segments.

Research and development expense was \$2.235 billion in 2017, \$1.422 billion in 2016, and \$1.405 billion in 2015 and represented a 57.2 percent increase in 2017, and a 1.2 percent increase in 2016. The 2017 increase in research and development expenses was primarily due to the acquisition of the St. Jude Medical business. The 2016 increase in research and development expenses was primarily due to higher spending on various projects and the impairment of an in-process research and development asset related to a non-reportable segment, partially offset by lower restructuring costs in 2016. In 2017, research and development expenditures totaled \$526 million for the Diagnostics Products segment, \$967 million for the Cardiovascular and Neuromodulation Products segment, \$195 million for the Nutritional Products segment, and \$164 million for the Established Pharmaceutical Products segment.

Selling, general and administrative expenses increased 36.6 percent in 2017 and decreased 1.7 percent in 2016 versus the respective prior year. The 2017 increase was primarily due to the acquisition of the St. Jude Medical business, as well as the incremental expenses to integrate St. Jude Medical with Abbott's existing vascular business, partially offset by the impact of cost

improvement initiatives across various functions and businesses. The 2016 decrease reflects the favorable impact of foreign exchange, continued efforts to reduce back office costs, and lower restructuring charges compared to the prior year.

BUSINESS ACQUISITIONS

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately \$5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received \$46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of \$39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately \$81 per St. Jude Medical common share and total purchase consideration of \$23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a \$2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid.

The final allocation of the fair value of the St. Jude Medical acquisition is shown in the table below.

(in billions)	
Acquired intangible assets, non-deductible	\$15.5
Goodwill, non-deductible	13.1
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(2.7)
Net debt	(5.3)
Total final allocation of fair value	\$23.6

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately \$1.1 billion, inventory of approximately \$1.7 billion, other current assets of \$176 million, property and equipment of approximately \$1.5 billion, and other long-term assets of approximately \$455 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately \$1.1 billion and other non-current liabilities of approximately \$870 million.

In 2016, Abbott and St. Jude Medical agreed to sell certain businesses to Terumo Corporation (Terumo) for approximately \$1.12 billion. The sale included the St. Jude Medical *Angio-Seal*[™] and *Femoseal*[™] vascular closure and Abbott's *Vado*[®] Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

FINANCIAL REVIEW

On October 3, 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for \$51.00 per common share in cash, which equated to a purchase price of approximately \$4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately \$0.7 billion. In addition, approximately \$3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 10—Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

The preliminary allocation of the fair value of the Alere acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)	
Acquired intangible assets, non-deductible	\$ 3.5
Goodwill, non-deductible	4.1
Acquired net tangible assets	0.9
Deferred income taxes recorded at acquisition	(0.7)
Net debt	(2.6)
Preferred stock	(0.7)
Total preliminary allocation of fair value	\$ 4.5

The goodwill is primarily attributable to expected synergies from combining operations, as well as intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Diagnostic Products reportable segment. The acquired tangible assets consist primarily of trade accounts receivable of approximately \$430 million, inventory of approximately \$425 million, other current assets of \$206 million, property and equipment of approximately \$540 million, and other long-term assets of \$112 million. The acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately \$625 million and other non-current liabilities of approximately \$160 million.

In the third quarter of 2017, Alere entered into agreements to sell its Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel Corporation (Quidel). The transactions with Quidel reflect a total purchase price of \$400 million payable at the close of the transaction, \$240 million payable in six annual installments beginning approximately six months after the close of the transaction, and contingent consideration with a maximum value of \$40 million. In the third quarter of 2017, Alere entered into an agreement with Siemens Diagnostics Holding II B.V. (Siemens) to sell its subsidiary, Epocal Inc., for approximately \$200 million payable at the close of the transaction. Alere agreed to divest these businesses in connection with the review by the Federal Trade Commission and the European Commission of Abbott's agreement to acquire Alere. The sale to Quidel closed on October 6, 2017, and the sale to Siemens closed on October 31, 2017. No gain or loss on these sales was recorded in the Consolidated Statement of Earnings.

In 2017, consolidated Abbott results include \$6.5 billion of sales and a pre-tax loss of approximately \$1.3 billion related to the St. Jude Medical and Alere acquisitions, including approximately \$1.5 billion of intangible amortization and \$907 million of

inventory step-up amortization. The pre-tax loss excludes acquisition, integration and restructuring-related costs.

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately \$485 million in 2016. This includes amortization of approximately \$940 million of inventory step-up and \$1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately \$750 million, which includes \$225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately \$907 million which was recorded in 2017 but included in the 2016 unaudited pro forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

On July 17, 2017, Abbott commenced a tender offer to purchase for cash the 1.77 million outstanding shares of Alere's Series B Convertible Perpetual Preferred Stock at a price of \$402 per share, plus accrued but unpaid dividends to, but not including, the settlement date of the tender offer. This tender offer was subject to the satisfaction of certain conditions, including Abbott's acquisition of Alere and upon there being validly tendered (and not properly withdrawn) at the expiration date of the tender offer that number of shares of Preferred Stock that equaled at least a majority of the Preferred Stock issued and outstanding at the expiration of the tender offer. The tender offer expired on October 3, 2017. All conditions to the offer were satisfied and Abbott accepted for payment the 1.748 million shares of Preferred Stock that were validly tendered (and not properly withdrawn). The remaining shares were cashed out for an amount equal to the \$400.00 per share liquidation preference of such shares, plus accrued but unpaid dividends, without interest. Payment for all of the shares of Preferred Stock was made in the fourth quarter of 2017.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately \$225 million in cash plus additional payments up to \$150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately \$220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately \$142 million, deferred tax assets and other net assets of approximately \$18 million, deferred tax liabilities of approximately \$85 million, and contingent consideration of approximately \$70 million. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products segment. If the acquisition of Tendyne had taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

FINANCIAL REVIEW

RESTRUCTURINGS

In 2017, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the cardiovascular and neuromodulation segment and Alere into the diagnostics segment, in order to leverage economies of scale and reduce costs. In 2017, charges of approximately \$187 million, including one-time employee termination benefits were recorded, of which approximately \$5 million is recorded in Cost of products sold and approximately \$182 million in Selling, general and administrative expense.

From 2014 to 2017, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee-related severance and other charges of approximately \$120 million in 2017, \$33 million in 2016 and \$95 million in 2015. Approximately \$7 million in 2017, \$9 million in 2016 and \$18 million in 2015 are recorded in Cost of products sold, approximately \$77 million in 2017, \$5 million in 2016 and \$34 million in 2015 are recorded in Research and development and approximately \$36 million in 2017, \$19 million in 2016 and \$43 million in 2015 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2017, \$2 million in 2016 and \$45 million in 2015 were recorded primarily for accelerated depreciation.

INTEREST EXPENSE AND INTEREST (INCOME)

In 2017, interest expense increased primarily due to the \$15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017. In 2016, interest expense increased primarily due to the amortization of bridge financing fees related to the financing of the St. Jude Medical and Alere acquisitions. Interest expense in 2016 also increased due to the \$15.1 billion of debt issued in November 2016. In 2015, interest expense increased due to the issuance of \$2.5 billion of long-term debt during the year.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, for 2017 includes a pre-tax gain of \$1.163 billion on the sale of AMO to Johnson & Johnson. 2016 includes \$947 million of expense to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which was considered by Abbott to be other than temporary. 2015 includes a \$207 million pretax gain on the sale of a portion of the Mylan N.V. ordinary shares received through the sale of the developed markets branded generics pharmaceuticals business and income resulting from a decrease in the fair value of contingent consideration related to a business acquisition.

TAXES ON EARNINGS

The income tax rates on earnings from continuing operations were 84.2 percent in 2017, 24.8 percent in 2016 and 18.1 percent in 2015.

The Tax Cuts and Jobs Act ("TCJA") was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of \$1.46 billion for the impact of the TCJA, which is included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate is provisional and includes a charge of approximately \$2.89 billion for the transition tax, partially offset by a net benefit of approximately \$1.42 billion for the remeasurement of deferred tax assets and liabilities and a net benefit of approximately \$10 million related to certain other impacts of the TCJA.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. Abbott has not yet completed its calculation of the total post-1986 E&P for its foreign subsidiaries. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. This amount may change as Abbott finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash and other specified assets. Abbott plans to elect to pay the transition tax over eight years as allowed by the TCJA.

Given the significant complexity of the TCJA, Abbott will continue to evaluate and analyze the impact of this legislation. The \$1.46 billion estimate is provisional and is based on Abbott's initial analysis of the TCJA and may be materially adjusted in future periods due to among other things, additional analysis performed by Abbott and additional guidance that may be issued by the U.S. Department of Treasury, the Securities and Exchange Commission or the Financial Accounting Standards Board.

In 2017, taxes on earnings from continuing operations also include \$435 million of tax expense related to the gain on the sale of the AMO business.

In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment, as well as the recognition of deferred taxes associated with the then pending sale of AMO. In 2015, taxes on earnings from continuing operations include \$71 million of tax expense related to gain on the disposal of shares of Mylan N.V. stock. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015.

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

Earnings from discontinued operations, net of tax, in 2017 and 2016 reflect the recognition of \$109 million and \$325 million, respectively, of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. 2015 tax expense related to discontinued operations includes \$667 million of tax expense on certain current-year income earned outside of the U.S. that were not designated as permanently reinvested overseas.

FINANCIAL REVIEW

DISCONTINUED OPERATIONS

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. At the date of the closing, the 110 million Mylan N.V. ordinary shares that Abbott received were valued at \$5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately \$1.6 billion. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the close of this transaction, Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan provided various back office support services to each other on an interim transitional basis for up to 2 years. Certain services were extended for an additional five to ten months. Charges by Abbott under this transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support does not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. In the first quarter of 2016, Abbott received an additional \$25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of \$16 million.

As a result of the disposition of the above businesses, the prior years' operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business. In 2017, 2016 and 2015, discontinued operations include a favorable adjustment to tax expense of \$109 million, \$318 million and \$3 million, respectively, as a result of the resolution of various tax positions pertaining to AbbVie's operations.

The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses, as well as the income tax benefit related to the businesses transferred to

AbbVie, which are being reported as discontinued operations are as follows:

(in millions)	Year Ended December 31		
	2017	2016	2015
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	\$ —	\$ —	\$256
AbbVie	—	—	—
Total	\$ —	\$ —	\$256
Earnings (Loss) Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	\$ 15	\$ (4)	\$ 13
AbbVie	—	—	—
Total	\$ 15	\$ (4)	\$ 13
Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	\$ 15	\$ 3	\$ 62
AbbVie	109	318	3
Total	\$124	\$321	\$ 65

ASSETS AND LIABILITIES HELD FOR DISPOSITION

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of \$1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of \$728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, 2016 and 2015, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were \$(18) million, \$30 million and \$64 million, respectively. Assets and liabilities of AMO were classified as held for disposition in Abbott's Consolidated Balance Sheet as of December 31, 2016.

As discussed in the Business Acquisitions section, in conjunction with the acquisition of Alere, Abbott sold the Triage MeterPro cardiovascular and toxicology business and the assets and liabilities related to its B-type Natriuretic Peptide assay business run on Beckman Coulter analyzers to Quidel. The legal transfer of certain assets and liabilities related to these businesses did not occur at the close of the sale to Quidel due to, among other factors, the time required to transfer marketing authorizations and other regulatory requirements in various countries. Under the terms of the sale agreement with Abbott, Quidel is subject to the risks and entitled to the benefits generated by these operations and assets. The assets and liabilities presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2017, primarily relate to the businesses sold to Quidel.

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The following is a summary of the assets and liabilities held for disposition as of December 31, 2017 and 2016:

(in millions)	2017	2016
December 31		
Trade receivables, net	\$ 12	\$ 222
Total inventories	8	240
Prepaid expenses and other current assets	—	51
Current assets held for disposition	20	513
Net property and equipment	56	247
Intangible assets, net of amortization	18	529
Goodwill	102	1,966
Deferred income taxes and other assets	—	11
Non-current assets held for disposition	176	2,753
Total assets held for disposition	\$196	\$3,266
Trade accounts payable	\$ —	\$71
Salaries, wages, commissions and other accrued liabilities	—	174
Current liabilities held for disposition	—	245
Post-employment obligations, deferred income taxes and other long-term liabilities	—	59
Total liabilities held for disposition	\$ —	\$ 304

RESEARCH AND DEVELOPMENT PROGRAMS

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

RESEARCH AND DEVELOPMENT PROCESS

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

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

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

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

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

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

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

In the EU, diagnostic products are also categorized into different categories and the regulatory process, which is governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category. Certain product categories require review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to show compliance with the Directive. Other products only require a self-certification process.

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

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

In the EU, cardiovascular and neuromodulation products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to the appropriate regulatory authority for review and approval

FINANCIAL REVIEW

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

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

In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) and the In Vitro Diagnostic Regulation (IVDR) which replace the existing directives in the EU for medical devices and in vitro diagnostic products. The MDR and IVDR will apply after a three-year and five-year transition period, respectively, and will impose additional regulatory requirements on manufacturers of such products.

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

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

AREAS OF FOCUS

In 2018 and beyond, Abbott's significant areas of therapeutic focus will include the following:

Established Pharmaceuticals—Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. More than 400 development projects are active for one or several emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon, Duphaston, Duphalac and Influx. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Cardiovascular and Neuromodulation—Abbott's research and development programs focus on:

- **Heart Failure**—Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.
 - **Electrophysiology**—Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.
 - **Vascular**—Development of next-generation technologies for use in coronary and peripheral vascular procedures.
 - **Structural Heart**—Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.
 - **Neuromodulation**—Development of next-generation technologies with unique wave forms, enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.
- Diabetes Care**—Develop enhancements and additional indications for the FreeStyle Libre continuous glucose monitoring system to help patients improve their ability to manage diabetes.
- Core Laboratory Diagnostics**—Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays in various areas including infectious disease, cardiac care, metabolics, oncology, as well as informatics and automation solutions to increase efficiency in laboratories.
- Molecular Diagnostics**—Several new molecular in vitro diagnostic (IVD) products and a next generation instrument system are in various stages of development and launch.
- Rapid Diagnostics**—Abbott's research and development programs focus on the development of diagnostic products for cardiometabolic disease, infectious disease and toxicology.
- Nutritionals**—Abbott is focusing its research and development spend on platforms that span the pediatric, adult and performance nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.
- Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2017 research and development activities that are expected to have a material impact on operations.
- While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of pharmaceutical, medical device and diagnostic products and technologies, it is not possible to accurately estimate the total cost

FINANCIAL REVIEW

to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2018. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

GOODWILL

At December 31, 2017, goodwill recorded as a result of business combinations totaled \$24.0 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

FINANCIAL CONDITION

CASH FLOW

Net cash from operating activities amounted to \$5.6 billion, \$3.2 billion and \$3.0 billion in 2017, 2016 and 2015, respectively. The increase in Net cash from operating activities in 2017 was primarily due to the favorable impact of improved working capital management, the acquisition of the St. Jude Medical businesses, and higher segment operating earnings. The increase in Net cash from operating activities in 2016 reflects additional focus on the management of working capital. The income tax component of operating cash flow in 2017 includes the 2017 non-cash impact of \$1.46 billion of net tax expense related to the estimated impact of U.S. tax reform. The income tax component of operating cash flow in 2016 and 2015 includes \$550 million and \$70 million, respectively, of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years; 2015 reflects the non-cash impact of approximately \$1.1 billion of tax expense associated with the gain on sale of businesses.

The foreign currency loss related to Venezuela reduced Abbott's cash by approximately \$410 million in 2016 and is included in the Effect of exchange rate changes on cash and cash equivalents line within the Consolidated Statement of Cash Flows. Future fluctuations in the strength of the U.S. dollar against foreign currencies are not expected to materially impact Abbott's liquidity.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2017, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded \$645 million in 2017, \$582 million in 2016 and \$579 million in 2015 to defined benefit pension plans. Abbott expects pension funding of approximately \$114 million in 2018 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

DEBT AND CAPITAL

At December 31, 2017, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott expects to maintain an investment grade rating. Abbott is committed to reducing its debt levels following the recent acquisitions of St. Jude Medical and Alere. On February 16, 2018, the board of directors authorized the redemption of up to \$5 billion of currently outstanding long-term notes in addition to the \$3.95 billion repaid in January 2018 discussed below.

Abbott has readily available financial resources, including lines of credit of \$5.0 billion which expire in 2019. These lines of credit are part of a 2014 revolving credit agreement that provides Abbott with the ability to borrow up to \$5 billion on an unsecured basis. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. On October 3, 2017, in connection with the Alere acquisition, Abbott borrowed \$1.7 billion under these lines of credit. These borrowings were due to be repaid in July 2019 and bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. In the fourth quarter of 2017, Abbott paid off \$550 million of these borrowings. On January 5, 2018, Abbott paid off the remaining balance under these lines of credit ahead of the 2019 due date.

On July 31, 2017, Abbott entered into a 5-year term loan agreement that allowed Abbott to borrow up to \$2.8 billion on an unsecured basis for the acquisition of Alere. On October 3, 2017, Abbott borrowed \$2.8 billion under this term loan agreement to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. Borrowings under the term loan bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off this term loan on January 5, 2018, ahead of its 2022 due date.

In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid \$3.0 billion of Alere's debt. In 2017, Abbott also paid off a \$479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which \$195 million was outstanding at December 31, 2017.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott assumed outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately \$2.9 billion for debt issued by Abbott which consists of: \$473.8 million of 2.00% Senior Notes due 2018; \$483.7 million of 2.80% Senior Notes due 2020; \$818.4 million of 3.25% Senior Notes due 2023; \$490.7 million of 3.875% Senior Notes due 2025; and \$639.1 million of 4.75% Senior Notes due 2043. Following this exchange, approximately \$194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately \$2.8 billion of various St. Jude Medical debt obligations.

In November 2016, Abbott issued \$15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued \$2.85 billion of 2.35% Senior Notes due November 22, 2019; \$2.85 billion of 2.90% Senior

FINANCIAL REVIEW

Notes due November 30, 2021; \$1.50 billion of 3.40% Senior Notes due November 30, 2023; \$3.00 billion of 3.75% Senior Notes due November 30, 2026; \$1.65 billion of 4.75% Senior Notes due November 30, 2036; and \$3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt; the swaps have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In April 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$17.2 billion, comprised of \$15.2 billion for a 364-day bridge loan and \$2.0 billion for a 120-day bridge loan to provide financing for the acquisition of St. Jude Medical. The \$15.2 billion component of the commitment terminated in November 2016 when Abbott issued the \$15.1 billion of long-term debt. In December 2016, Abbott formalized the \$2.0 billion component and entered into a 120-day bridge term loan facility that provided Abbott the ability to borrow up to \$2.0 billion on an unsecured basis to partially fund the St. Jude Medical acquisition. On January 4, 2017, as part of funding the cash portion of the St. Jude Medical acquisition, Abbott borrowed \$2.0 billion under the 120-day senior unsecured bridge term loan facility. This facility was repaid during the first quarter of 2017.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$9 billion in conjunction with its pending acquisition of Alere. This commitment, which was automatically extended for up to 90 days on January 29, 2017, expired on April 30, 2017 and was not renewed since Abbott did not need this bridge facility to finance the Alere acquisition. The fees associated with the bridge facilities were recognized in interest expense.

In March 2015, Abbott issued \$2.5 billion of long-term debt consisting of \$750 million of 2.00% Senior Notes due March 15, 2020; \$750 million of 2.55% Senior Notes due March 15, 2022; and \$1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. In March 2015, Abbott also entered into interest rate swap contracts totaling \$2.5 billion. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

In September 2014, the board of directors authorized the repurchase of up to \$3.0 billion of Abbott's common shares from time to time. The 2014 authorization was in addition to the \$512 million unused portion of a previous program announced in June 2013. In 2016, Abbott repurchased 10.4 million shares at a cost of \$408 million under the program authorized in 2014. In 2015, Abbott repurchased 11.3 million shares at a cost of \$512 million under the unused portion of the 2013 authorization and 36.2 million shares at a cost of \$1.7 billion under the program authorized in 2014 for a total of 47.5 million shares at a cost of \$2.2 billion.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to \$3 billion. No shares have been issued under this authorization.

Abbott declared dividends of \$1.075 per share in 2017 compared to \$1.045 per share in 2016, an increase of approximately 3%. Dividends paid were \$1.849 billion in 2017 compared to \$1.539 billion in 2016. The year-over-year change in dividends reflects the impact of the increase in the dividend rate and the additional shares issued to finance the St. Jude Medical acquisition.

WORKING CAPITAL

Working capital was \$11.2 billion at December 31, 2017 and \$20.1 billion at December 31, 2016. The decrease in working capital in 2017 was due to a \$9.2 billion decrease in cash and cash equivalents. Approximately \$13.6 billion of the \$18.6 billion in cash and cash equivalents at December 31, 2016 was used to fund the cash portion of the acquisition of St. Jude Medical on January 4, 2017.

Abbott monitors the credit worthiness of customers and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring economic conditions and budgetary and other fiscal developments, Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables.

VENEZUELA OPERATIONS

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of \$480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2017, Abbott's investment in its Venezuelan operations was not significant. As a result, any additional future foreign currency losses related to Venezuela would not be material.

CAPITAL EXPENDITURES

Capital expenditures of \$1.1 billion in 2017, 2016 and 2015 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers.

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CONTRACTUAL OBLIGATIONS

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2017.

(in millions)	Total	Payments Due By Period			
		2018	2019-2020	2021-2022	2023 and Thereafter
Long-term debt, including current maturities (a)	\$27,970	\$ 508	\$ 6,802	\$6,404	\$14,256
Interest on debt obligations (a)	12,107	1,013	1,773	1,488	7,833
Operating lease obligations	1,141	223	317	196	405
Capitalized auto lease obligations	37	12	25	—	—
Purchase commitments (b)	2,242	2,081	124	29	8
Other long-term liabilities (c)	3,997	—	1,439	973	1,585
Total (d)	\$47,494	\$3,837	\$10,480	\$9,090	\$24,087

- (a) Amounts reported represent contractual obligations as of December 31, 2017. On January 5, 2018, Abbott repaid long term debt of \$1.15 billion due July 10, 2019 and \$2.80 billion due November 3, 2022, which reduces future interest obligations on this debt by approximately \$475 million over the term of the debt.
- (b) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.
- (c) Other long-term liabilities include the estimated payments for the transition tax under the TCJA, net of applicable credits.
- (d) Net unrecognized tax benefits totaling approximately \$835 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 14—Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 13—Post-employment Benefits.

CONTINGENT OBLIGATIONS

Abbott has periodically entered into agreements with other companies in the ordinary course of business, such as assignment of product rights, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

LEGISLATIVE ISSUES

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which makes changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results.

The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Abbott is currently evaluating the effect that ASU 2017-12 will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* which changes the financial statement presentation requirements for pension and other postretirement benefit expense. While service cost will continue to be reported in the same financial statement line items as other current employee compensation costs, the ASU requires all other components of pension and other postretirement benefit expense to be presented separately from service cost, and outside any subtotal of income from operations. The standard becomes effective for Abbott beginning in the first quarter of 2018. When the change in the presentation of the components of pension cost is applied retrospectively to Abbott's 2017 operating results, approximately \$160 million of net pension-related income will be moved from the operating lines of the Consolidated Statement of Earnings to non-operating income.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of inter-company sales and transfers of assets, other than inventory, in the period in which the transfer occurs. The standard becomes effective for Abbott beginning in the first quarter of 2018. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

FINANCIAL REVIEW

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for most leases on the balance sheet. The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Adoption requires application of the new guidance for all periods presented. Abbott is currently evaluating the impact the new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The standard becomes effective for Abbott beginning in the first quarter of 2018. Abbott does not

expect the adoption of the new standard to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. The standard becomes effective for Abbott in the first quarter of 2018.

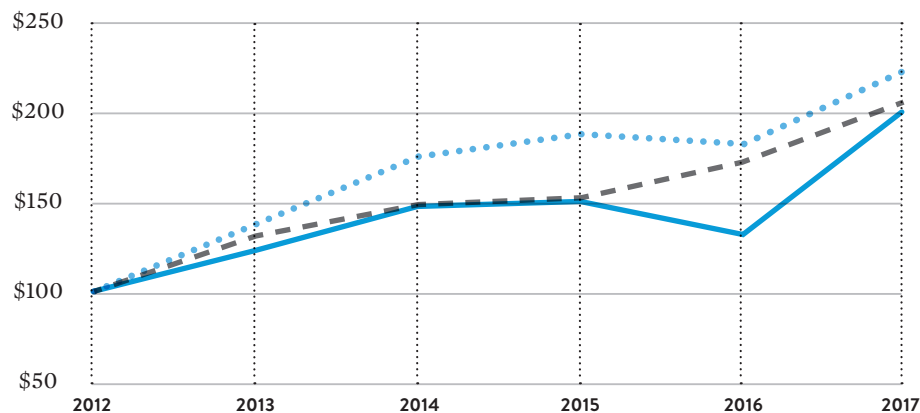
Abbott's revenues are primarily comprised of product sales. Abbott completed a thorough evaluation of the new standard including a detailed review of Abbott's revenue streams and contracts. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements. Abbott will use the modified retrospective method to adopt this standard.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995— A CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott,

including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, Risk Factors.

PERFORMANCE GRAPH



This 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.

- Abbott Laboratories
- - - S&P 500 Index
- S&P 500 Health Care

Assuming \$100 invested on December 31, 2012 with dividends reinvested.

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in millions except per share data)

Year Ended December 31	2017	2016	2015(a)	2014	2013
Summary of Operations:					
Net Sales	\$ 27,390	20,853	20,405	20,247	19,657
Cost of products sold	\$ 14,312	9,574	9,348	9,773	9,781
Research & development	\$ 2,235	1,422	1,405	1,345	1,371
Selling, general, and administrative	\$ 9,117	6,672	6,785	6,530	6,372
Operating earnings	\$ 1,726	3,185	2,867	2,599	2,133
Interest expense	\$ 904	431	163	150	145
Interest income	\$ (124)	(99)	(105)	(77)	(67)
Other (income) expense, net	\$ (1,285)	1,440	(374)	8	14
Earnings before taxes	\$ 2,231	1,413	3,183	2,518	2,041
Taxes on earnings from continuing operations	\$ 1,878	350	577	797	53
Earnings from continuing operations	\$ 353	1,063	2,606	1,721	1,988
Net earnings	\$ 477	1,400	4,423	2,284	2,576
Basic earnings per common share from continuing operations	\$ 0.20	0.71	1.73	1.13	1.27
Basic earnings per common share	\$ 0.27	0.94	2.94	1.50	1.64
Diluted earnings per common share from continuing operations	\$ 0.20	0.71	1.72	1.12	1.26
Diluted earnings per common share	\$ 0.27	0.94	2.92	1.49	1.62
Financial Positions:					
Working capital (b)	\$ 11,235	20,116	4,969	3,089	7,247
Long-term investment securities	\$ 883	2,947	4,041	229	119
Net property & equipment	\$ 7,607	5,705	5,730	5,935	5,905
Total assets	\$ 76,250	52,666	41,247	41,207	42,937
Long-term debt, including current portion	\$ 27,718	20,684	5,874	3,448	3,381
Shareholders' investment	\$ 31,098	20,717	21,326	21,639	25,267
Book value per share	\$ 17.84	14.07	14.48	14.35	16.32
Other Statistics:					
Gross profit margin	% 47.7	54.1	54.2	51.7	50.2
Research and development to net sales	% 8.2	6.8	6.9	6.6	7.0
Net cash from operating activities	\$ 5,570	3,203	2,966	3,675	3,324
Capital expenditures	\$ 1,135	1,121	1,110	1,077	1,145
Cash dividends declared per common share	\$ 1.075	1.045	0.98	0.90	0.64
Common shares outstanding (in thousands)	1,743,602	1,472,869	1,472,665	1,508,035	1,548,098
Number of common shareholders	44,581	45,545	47,278	55,171	57,854
Market price per share—high	\$ 57.77	45.79	51.74	46.50	38.81
Market price per share—low	\$ 38.34	36.00	39.00	35.65	31.64
Market price per share—close	\$ 57.07	38.41	44.91	45.02	38.33

(a) In February 2015, Abbott completed the disposition of the developed markets branded generics pharmaceuticals and animal health businesses. See Note 2 to the Consolidated Financial Statements for additional information.

(b) In 2016, working capital includes \$13.6 billion of cash that was used to fund the cash portion of the St. Jude Medical acquisition on January 4, 2017.

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Commercial Operations,
Asia Pacific*

Kwang Ming Tu
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China*

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Molecular Diagnostics*

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*Vice President,
Global Operations,
Cardiovascular and Neuromodulation*

James E. Young
*Vice President,
Chief Ethics and
Compliance Officer*

*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 Swiss Stock Exchange.

QUARTERLY DIVIDEND DATES

Dividends are expected to be declared and paid on the following schedule in 2018, pending approval by the board of directors:

Quarter	Declared	Record	Paid
First	2/16	4/13	5/15
Second	6/8	7/13	8/15
Third	9/13	10/15	11/15
Fourth	12/14	1/15/19	2/15/19

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, or call Abbott's Investor Newsline.

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, listed below, right.

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 27, 2018, at Abbott's corporate headquarters. Questions regarding the annual meeting may be directed to the Corporate Secretary. A copy of Abbott's 2017 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 2017, 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 (CFO) filed with the U.S. Securities and Exchange Commission all required certifications regarding the quality of Abbott's public disclosures in its fiscal 2017 reports.

INVESTOR NEWSLINE

(224) 667-7300

INVESTOR RELATIONS

Dept. 362, AP6D2
Abbott
100 Abbott Park Road
Abbott Park, IL 60064-6400 U.S.A.
(224) 667-6100

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Dept. 364, AP6D2
Abbott
100 Abbott Park Road
Abbott Park, IL 60064-6400 U.S.A.
(224) 667-6100

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SHAREHOLDER INFORMATION

Shareholders with questions about their accounts may contact the transfer agent. 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.

NOTES

1 The stated growth percentage is on a comparable operational basis which includes 2016 results for St. Jude Medical and excludes the impact of foreign exchange. The reported growth rate is not applicable due to the lack of comparable results in the prior year.
2 Excludes the impact of foreign exchange
3 Source: International Diabetes Federation
4 Source: International Diabetes Federation
5 A finger-prick test using a blood-glucose meter is required during times of rapidly changing glucose levels when interstitial-fluid glucose levels may not accurately

reflect blood-glucose levels or if hypoglycemia or impending hypoglycemia is reported by the system or when symptoms do not match the system readings.
6 Source: Centers for Disease Control, National Health Information Survey
7 Source: National Institutes of Health, "Global Public Health Burden of Heart Failure," April 2017
8 Source: American Heart Association
9 Sources: National Institutes of Health. "What are congenital heart defects?"; Congenital heart defects in Europe: Prevalence and perinatal mortality, 2000 to 2005. Circulation, 123
10 Source: The American Academy of Pain Medicine

11 The *i-STAT Alinity* is currently only approved for use outside the United States
12 Source: World Health Organization, Diabetes Fact Sheet, November 2017
13 Source: American College of Cardiology
14 Source: "Pain as a global public health priority." Goldberg DS, McGee S.J. BMC Public Health. 2011
15 Source: BMI Research (May 2017) IMS Global Use of Medicines
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