Abbott

2021 ANNUAL REPORT

Abbott is a global healthcare company providing life-changing technologies and services to help people live healthier, fuller lives. In each of our core businesses — nutrition, diagnostics, medicines and medical devices — we've built our portfolios strategically for relevance to where medicine and technology, our markets, customers and society are heading. This forward focus helps us deliver long-term impact for the people we serve, and achieve above-market growth, strong cash flow, and consistently strong shareholder returns.

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Front Cover:

DR. VERONIKA MEYER
St. Gallen, Switzerland
Masters Mechanical Heart Valve

Veronika, a retired professor of chromatography, has been active her entire life, and takes every opportunity she can to go hiking in the mountains — those near her home, and others far afield. Notably, she was the first woman with a mechanical heart valve to reach the summit of Mt. Everest.

ROBERT FORD
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

DEAR FELLOW SHAREHOLDER:

COVID tested us again in 2021 — and Abbott again rose to the challenge. We met the pandemic head-on with our battery of tests for the virus. We kept focus on our underlying businesses, all of which delivered highly successful years. And, most importantly, we kept our sights on the long term and our dynamic vision for the future of health.

$43.1B
WORLDWIDE SALES IN 2021

22.9%
ORGANIC SALES INCREASE OVER 2020[1]

42.7%
ADJUSTED ONGOING EARNINGS PER SHARE INCREASE[2]

Our 2021 results reflect our strong performance in each of our major businesses.

[1] Excludes impact of foreign exchange. On a GAAP basis, Abbott sales increased 24.5%

[2] GAAP EPS from continuing operations increased 58.2%. For full financial data and reconciliation of non-GAAP measures, please see Abbott's 2021 earnings release at www.abbottinvestor.com

THE ABBOTT WAY

The rigors of the pandemic environment have helped to highlight all of the strengths that make Abbott such an enduringly successful company. The continual shifts and disruptions to normal business patterns — supply chain functioning, fluctuating demand in certain areas, workplace operations — require companies to be resourceful and adaptable, able to anticipate, to improvise, and to draw on deep reserves of experience, relationships, and know-how.

These are foundational Abbott traits — characteristics that run throughout our 130-year history and that are carrying us into a future of remarkable new scientific, technological, and human capability. Those traits came to us from Dr. Wallace Abbott himself. So did the purpose that drives us — using medical science to help people live their fullest lives through better health.

Another fundamental Abbott characteristic that has been critical to our success — over many decades and especially through the pandemic — is our diversified business model. Never has this long-term strategy been tested more strenuously or proven more valuable. Abbott is uniquely balanced across multiple dimensions, including our business mix, customer and payor types, varying innovation cycles, and geographic footprint.

As we've long demonstrated, this business model provides us more opportunities to win during good times and makes us more resilient during difficult ones. I think it fair to say that the sheer breadth of the pandemic's impacts is unprecedented in Abbott's history; despite these extraordinary challenges, the strength and flexibility provided by our business model allowed us to deliver outstanding growth and returns for our shareholders.

THE YEAR

Clearly, the course of the pandemic was a significant factor in Abbott's 2021 performance. The introduction of effective vaccines drove testing demand down — then the advent of the Delta and Omicron variants of the virus drove that demand back up, to higher levels than ever before. We're now producing more than 150 million tests per month, across our global platforms.

But as significant — and more so for the long term — was the balanced strength of our underlying businesses. All four of these — Medical Devices, Nutrition, Established Pharmaceuticals, and Diagnostics — delivered strong growth for the year.

Central to this was a steady stream of new-product introductions across the company and around the world, including:

- The first handheld rapid test for concussions
- Our *Neurosphere Virtual Clinic*, a technology that allows doctors to remotely program our devices that treat chronic pain and movement disorders such as Parkinson's disease
- New formulations and flavors of our nutritionals *Glucerna, Ensure, PediaSure, Pedialyte* and *Similac*, including our new *360 Total Care* formula with a blend of five HMO prebiotics

- Our next-generation *TriClip* device to repair heart valves
- *Navitor*, our latest generation transcatheter aortic valve replacement (TAVR) system to treat aortic valve stenosis and the *Portico* TAVR system for transcatheter aortic valve replacement
- A number of new medicines, including *Brufen* Rapid, our fast-acting ibuprofen, and *Influvac Tetra*, our vaccine for four different strains of influenza in multiple countries
- New tests across our whole family of *Alinity* diagnostics systems
- *Jot Dx*, our insertable monitor to detect abnormal heart rhythms
- Our *Ultreon* software to help interventional cardiologists see inside heart vessels and act on the insights it provides
- *Skypoint*, the latest generation in our *Xience* family of coronary stents
- Over-the-counter versions of our *BinaxNOW* and *Panbio* COVID tests for self-testing
- And two new *Amplatzer* cardiac devices: *Amulet*, which helps reduce the risk of stroke in people with atrial fibrillation; and *Talisman* to treat people with a small opening between the upper chambers of the heart that puts them at risk of recurrent ischemic stroke

That's an extremely productive pipeline under any circumstances, and even more noteworthy given the challenges of this environment. Added to consistently strong execution across our businesses, this helped us to deliver outstanding financial performance. Adjusted earnings per share rose almost 43 percent for the year — exceeding the guidance we set at the beginning of the year — on sales of more than $43 billion, up almost 23 percent over 2020. We returned more than $5 billion to shareholders in dividends and share buy-backs. And, in December, we announced a dividend increase of over four percent for 2022, following a 25 percent increase the prior year; this makes for an average dividend increase of more than 15 percent since the beginning of the pandemic. Abbott has now paid dividends for 98 consecutive years and this year we joined the exclusive list of Dividend Kings — the small group of companies that have paid increasing dividends for the last 50 years or more. Over the past decade, Abbott has provided shareholders a total return of approximately 540 percent versus a market return of 360 percent.

THE FUTURE

The story of Abbott is one of continual invention and reinvention. We follow science and technology in order to lead the industry toward new possibilities and the world toward greater health. The mission of Abbott leaders is to carry that legacy into the future — to ensure that the company's success is sustained for the long term.

This tradition was richly demonstrated by Miles D. White, who stepped down as the Executive Chairman of our Board of Directors in December, concluding his great Abbott career. Miles joined the company in 1984, became Chief Executive Officer and Chairman of the Board in 1999, and proceeded to lead the company through a series of strategic transformations, resulting in one of Abbott's most dynamic and successful eras. His constant focus throughout his tenure was on anticipating the future and shaping the company to meet it. We thank Miles for his leadership, as a result of which the company is better aligned with the future of healthcare than ever before.

A steady stream of new-product introductions helped position Abbott for long-term success.

For the first time in CES history, a healthcare company delivered a keynote address at the world's premier tech event. Abbott Chairman and CEO Robert Ford was joined on stage by a diverse group of Abbott experts, partners, and customers to discuss the technology revolution in healthcare, and how it is empowering people to actively engage in their own health.

98
CONSECUTIVE YEARS OF DIVIDENDS PAID

~540%
10-YEAR TOTAL SHAREHOLDER RETURN

For example, Abbott is at the forefront of one of the defining trends for the next era of health — the convergence of healthcare with digital technology. This is making truly incredible things possible.

We're working today to digitize, decentralize, and democratize healthcare. In other words, we're using advanced digital technologies to create new capabilities for the people who use our products. We're expanding the ways and places in which healthcare can be delivered — not only in traditional institutional settings, but wherever the patient is, by helping them connect with their caregivers through our technologies. And we're putting more power, control, ease, and convenience in the hands of the people who matter most and who have the most at stake — the patients whose lives literally depend on our products.

This new power is at the core of the vision we presented in January when we appeared as the first-ever healthcare company to give a keynote address at the Consumer Electronics Show (CES), the world's largest and most influential tech event. This distinction recognized our leadership at the cutting edge of healthcare technology.

A striking example is *Lingo*, the new line of biowearables we're developing based on our world-leading *FreeStyle Libre* sensing technology, which we announced at CES. This family of sensors is being designed to easily give users more information about the functioning of their bodies — reading factors such as ketones, lactates, glucose, and alcohol levels — to help people not just monitor their health status, but to understand the unique language of their individual bodies, to gain greater control and, potentially, to improve their physical capabilities over time.

It's through this democratization of healthcare — by putting more control in people's own hands, wherever they are around the world — that we aim to achieve our ambitious 2030 Sustainability Plan goal of helping three billion people every year to achieve better health.

Abbott began as one man making better medicines by hand in his own home. By unwaveringly pursuing the same goal ever since — using medical technology to help people live fuller lives — we will soon reach one of every three people on the planet. That's the power of vision, of innovation, and of commitment. These are the continuous threads that run through this company's history — an ongoing legacy of service that we are fiercely dedicated to protecting and advancing for many years to come.

Abbott Proud,

ROBERT B. FORD
Chairman of the Board and Chief Executive Officer
March 2, 2022

Shaping the Future of Healthcare

With cutting-edge technologies that bring people and data together to unlock the full potential of both, we're breaking down barriers to help people take control of their health and live their fullest possible lives.

ABBOTT LEADING

In a rapidly evolving healthcare environment, Abbott's ability to anticipate and adapt has helped us build a product portfolio and new-product pipeline that position us uniquely well to address some of the world's most pressing health challenges.


GLUCOSE GOING LOW
75
Jot Dx
BRUFEN RAPID
400mg Ibuprofen
PAIN RELIEF
HEADACHE & MIGRAINE
20 softgels
IMMUNE SUPPORT
NUTRIENTS FOR IMMUNE SUPPORT
#1 DOCTOR RECOMMENDED BRAND FOR HYDRATION
ELECTROLYTE SOLUTION
Pedialyte
WITH IMMUNE SUPPORT
ZINC | SELENIUM & MAGNESIUM
33% MORE ELECTROLYTES
RASPBERRY LEMONADE
Alinity c

ADVANCED REPAIR

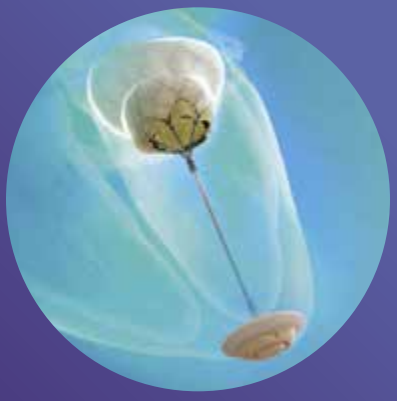
COLBY GROOM

Healdsburg, California, USA

Born with a congenital heart defect, Colby endured a series of unsuccessful treatments before an Abbott mechanical heart valve helped him lead a healthier, more active life. Today, he's a college graduate working with his family's vineyard and actively fundraising for new research and technologies "to make the next kid's life easier."

MASTERS MECHANICAL HEART VALVE

TRICLIP G4 TRICUSPID VALVE REPAIR DEVICE



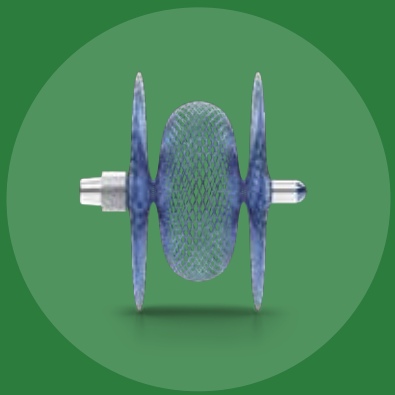
TENDYNE MITRAL VALVE REPLACEMENT THERAPY

A steady stream of new devices to restore health and improve quality of life.

From transcatheter and surgical valves to structural interventions, our Structural Heart portfolio spans a wide range of life-changing technologies. Our transcatheter mitral and tricuspid valve therapy portfolio includes *MitraClip* and *TriClip*, our market-leading transcatheter mitral- and tricuspid-valve repair devices, and *Tendyne*, our innovative mitral-valve replacement therapy.

We also have traditional tissue and mechanical heart valves, including our *Epic* valve platform and the *Masters Series* 15 mm, the world's smallest rotatable mechanical heart valve, which can make a lifesaving difference for infants and children with damaged hearts.

In addition to our valve portfolio, we offer devices known as occluders, which treat a variety of defects resulting from holes within the heart. This portfolio includes the *Amplatzer Talisman* PFO Occluder, which helps reduce the risk of recurrent ischemic stroke in patients with a small opening between the upper chambers of the heart; and the *Amplatzer Piccolo*, a tiny, first-of-its-kind device designed to fix a congenital heart defect in premature babies.



AMPLATZER PICCOLO OCCLUDER

ON THE HORIZON

A HIGHLY PRODUCTIVE PIPELINE

In 2021, we received regulatory approvals for a number of important products, including:

- *Conformite Europeenne* (CE mark) for *Navitor*, the latest-generation transcatheter aortic-valve-replacement (TAVR) system to treat aortic stenosis.
- US Food and Drug Administration (FDA) clearance for our *Amplatzer Amulet* left atrial appendage occluder device, which treats people with atrial fibrillation at risk of stroke, and our minimally invasive *Portico* with *FlexNav* TAVR system to treat patients with aortic valve disease.

Transforming care with fast, accurate results when and where they're needed.

Abbott is the world leader in point-of-care testing, with a portfolio of systems and tests designed to improve the overall quality of care and help our customers achieve better clinical and economic healthcare outcomes. Rapid diagnostic testing can give doctors the insight they need in minutes, at the patient's bedside or during an office visit, to deliver the right care, at the right time, in any environment. Our portfolio of benchtop analyzers includes the *Afinion 2*, a compact, rapid multi-assay analyzer, *ID NOW*, a leading molecular point-of-care platform, and the *Cholestech LDX* for lipid profiles and glucose testing.

Our complete portfolio of lateral flow tests — like our *BinaxNOW* and *Panbio* COVID-19 devices — can provide infectious-disease results in minutes, even in remote areas. Home versions of these tests have given millions of consumers peace of mind during the pandemic. Abbott also offers innovative digital solutions that can pair with our testing devices to help manage test results and track diseases as they move through populations.

RAPID DIAGNOSTICS

IMMEDIATE INSIGHTS

i-STAT TBI PLASMA TEST

ON THE HORIZON

GAME-CHANGING TECHNOLOGY

Abbott's first-of-its-kind biomarker test redefines the evaluation of suspected concussions, or mild traumatic brain injury (mTBI), providing quick and critical information on potential injury.

THE TOWNSEND FAMILY

Shelby Township, Michigan, USA

With the holidays approaching, the Townsends were concerned that a large gathering might expose vulnerable family members to COVID-19. By testing everyone in attendance using Abbott's *BinaxNOW* self test, the family was able to enjoy their time together with confidence.

BINAXNOW COVID-19 TEST AND *NAVICA* COMPANION APP

CORE LABORATORY

CRITICAL INFORMATION

Abbott systems and tests screen, diagnose and monitor a vast range of health conditions with greater speed, accuracy, and efficiency.

ON THE HORIZON

DETECTING FUTURE VIRAL THREATS

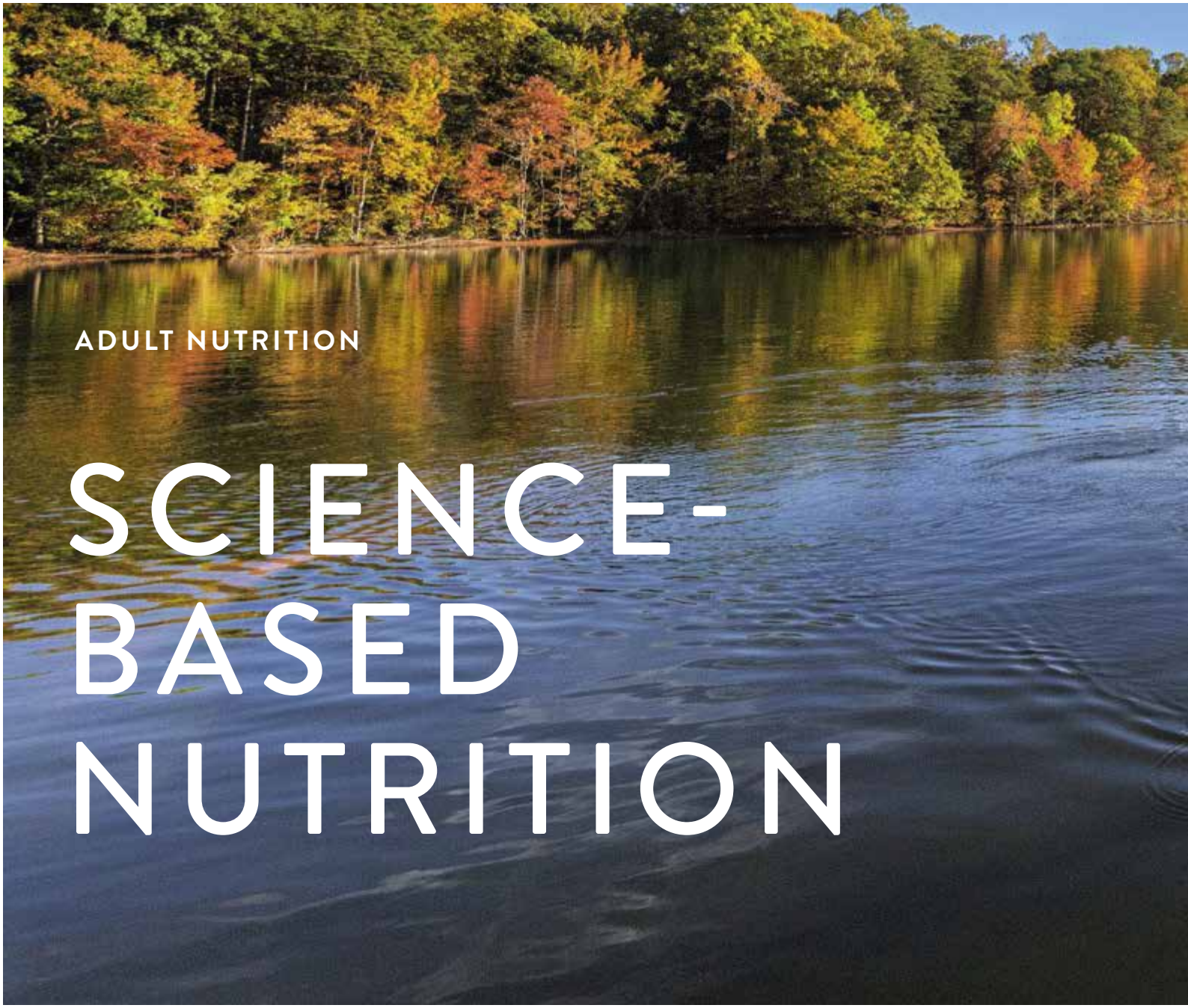
In 2021, building on our decades-long leadership in viral surveillance research, we expanded our network of world-leading infectious disease laboratories that help identify emerging viral threats. We call this our Abbott Pandemic Defense Coalition, and it remains the first-of-its-kind global scientific and public health partnership dedicated to the early detection of future pandemic threats.

Abbott's Total Laboratory Automation systems help labs maximize their operational efficiency by providing flexibility, configurability, and error-reducing robotic automation.

Our core laboratory diagnostics business is strengthened by the continued success of *Alinity*, Abbott's next generation of systems and expanded laboratory solutions to simplify diagnostics and deliver results that drive better patient outcomes. *Alinity* streamlines critical interactions between individuals, systems and information to deliver uniformity, flexibility, operational productivity and confidence. Its robust immunoassay test menu includes advanced assays that help inform cancer treatment plans, cardiovascular disease identification, prediction and management, and infectious disease solutions. In clinical chemistry, typically the area with the highest volume of tests, *Alinity* offers high throughput and high-quality assays to deliver efficient and accurate results. We also offer a portfolio of hematology solutions that includes automated analyzers, slide-maker stainers, reagents, calibrators, and controls, and state-of-the-art laboratory automation and digital health solutions to complement our core lab offering.

GLP SYSTEMS
TOTAL LABORATORY AUTOMATION SOLUTION

- MODULAR DESIGN
- CONSISTENT SAMPLE MANAGEMENT
- REDUCED HUMAN ERRORS



ADULT NUTRITION

SCIENCE-BASED NUTRITION

Innovative products to restore and maintain health.

Our market-leading *Ensure* family of products continues to deliver growth for our Adult Nutrition business. The *Ensure* portfolio includes high-protein formulations, a plant-based-protein option, as well as products designed to help patients prepare for, and recover from, surgery. We've also leveraged our expertise in nutrition science to create several products that support the unique nutritional needs of people with injuries or chronic illnesses, including *Glucerna*, for people with diabetes; *Nepro*, for patients on dialysis; and *Juven*, which helps promote lean body mass and supports wound healing.

And our *Pedialyte* line of oral electrolyte solutions helps adults and children prevent dehydration. We recently launched *Pedialyte* Sport, a scientifically-designed solution to help athletes at all levels rehydrate after intense exercise.

DAVE OCHOA

Tellem, North Carolina, USA

Dave was in the hospital fighting COVID-19 and on supplemental oxygen. Every time he took his oxygen mask off, he would struggle for breath, making it difficult to eat solid foods. He relied on *Ensure* to provide the complete nutrition he needed to recover and get back to the active life he loves.

COMPLETE, BALANCED NUTRITION

Supporting four key areas:

- IMMUNE SYSTEM SUPPORT with antioxidants and prebiotics for digestive tract benefits
- MUSCLE with 30g of protein to help maintain lean body mass
- HEART with omega 3s to help support heart health
- BONE with calcium and vitamin D to promote bone health

PEDIATRIC NUTRITION

NOURISHING GROWTH

Helping children around the world get the nutrition they need to thrive.

For more than 90 years, we've helped give babies a strong start with our *Similac* line of infant formulas, employing the latest nutrition science to support healthy growth and development of babies' eyes, brains, and immune systems. Abbott was the first company to introduce a formula with 2'-FL HMO (human milk oligosaccharide), an ingredient that helps a baby's immune system be more like that of a breastfed infant. In late 2021, we announced the launch of *Similac* 360 Total Care, the first and only infant formula in the U.S. with a blend of five different HMOs, previously only found together in breast milk.

For older kids, we offer *PediaSure*, our complete, balanced nutritional supplement.

REAL MADRID FOUNDATION SOCIAL SPORTS PROJECT

Oaxaca City, Oaxaca, Mexico

In October 2021, Abbott became the Health Sciences and Nutrition Partner of the Real Madrid Football Club and Global Partner of the Real Madrid Foundation, which promotes the values inherent in sport to children. The partnership encompasses education, sports and social welfare activities for under-resourced children, nutritional support, and new product innovation and development.

Similac 360 Total Care

PediaSure

The world's leading oral nutritional supplement for children

Actionable data to help people manage their own health.

Abbott is the world leader in continuous glucose monitoring. Our sensing technology — the *FreeStyle Libre* System — gives users data and insights conveniently and in an easily understandable way. The sensor, worn on the back of the upper arm, automatically tracks glucose levels — every minute, day and night.

FreeStyle Libre users can get a glucose reading, plus record the trends in their levels, giving them the confidence to make the right decisions because they know how different foods, exercise and medications impact their health. *FreeStyle Libre* was designed to be accessible, and today it's the most affordable[1] and the most widely used[2] glucose monitor in the world, with nearly 4 million people relying on the data it provides. *FreeStyle Libre* 3, which is available in Europe, has the world's smallest, thinnest sensor.[3]

Our collaboration with Bigfoot Biomedical allows us to connect our *FreeStyle Libre* 2 with Bigfoot's world-class insulin delivery systems. By capturing data from our *FreeStyle Libre* 2, Bigfoot's smart pen caps can tell easily and automatically how much insulin a person needs. And our partnership with Omada Health has enabled us to integrate our *FreeStyle Libre* 14 day system with Omada's pioneering digital coaching platform, helping people with type 2 diabetes tackle the challenges of managing their condition with personalized, on-the-go care and community support.

DIABETES CARE

PEOPLE POWER

FREESTYLE LIBRE

ON THE HORIZON

INTRODUCING *LINGO*

Building on our *FreeStyle Libre* sensing technology, Abbott is developing *Lingo*, a new category of biowearables designed to track important biomarkers like ketones, lactate, and alcohol.

The *Lingo* portfolio of products are under development and are not intended for medical use. They are not intended for use in screening, diagnosis, treatment, cure, mitigation, prevention, or monitoring of disease. *Lingo* portfolio of products are not for sale in the U.S.

LAURA YATES

Bridgnorth, England, UK

When she's not working her day job as a marketing professional, Laura is usually busy tending to the animals on her parents' farm. She relies on our *FreeStyle Libre* 2 system to show her how her glucose levels fluctuate all day long, which helps her better manage her health.

#1 *FREESTYLE LIBRE* IS THE WORLDS MOST WIDELY USED GLUCOSE MONITOR

ABBOTT CONNECTING

Our connected-care and digital-health tools are expanding the point of care beyond the hospital walls and into the hands of people — wherever they are — to help make better, faster and more complete decisions about their health in ways that fit easily into their lives.


SECURE
DATA MAKES
CONNECTED
CARE
POSSIBLE

PERSONALIZED CARE, ANYWHERE

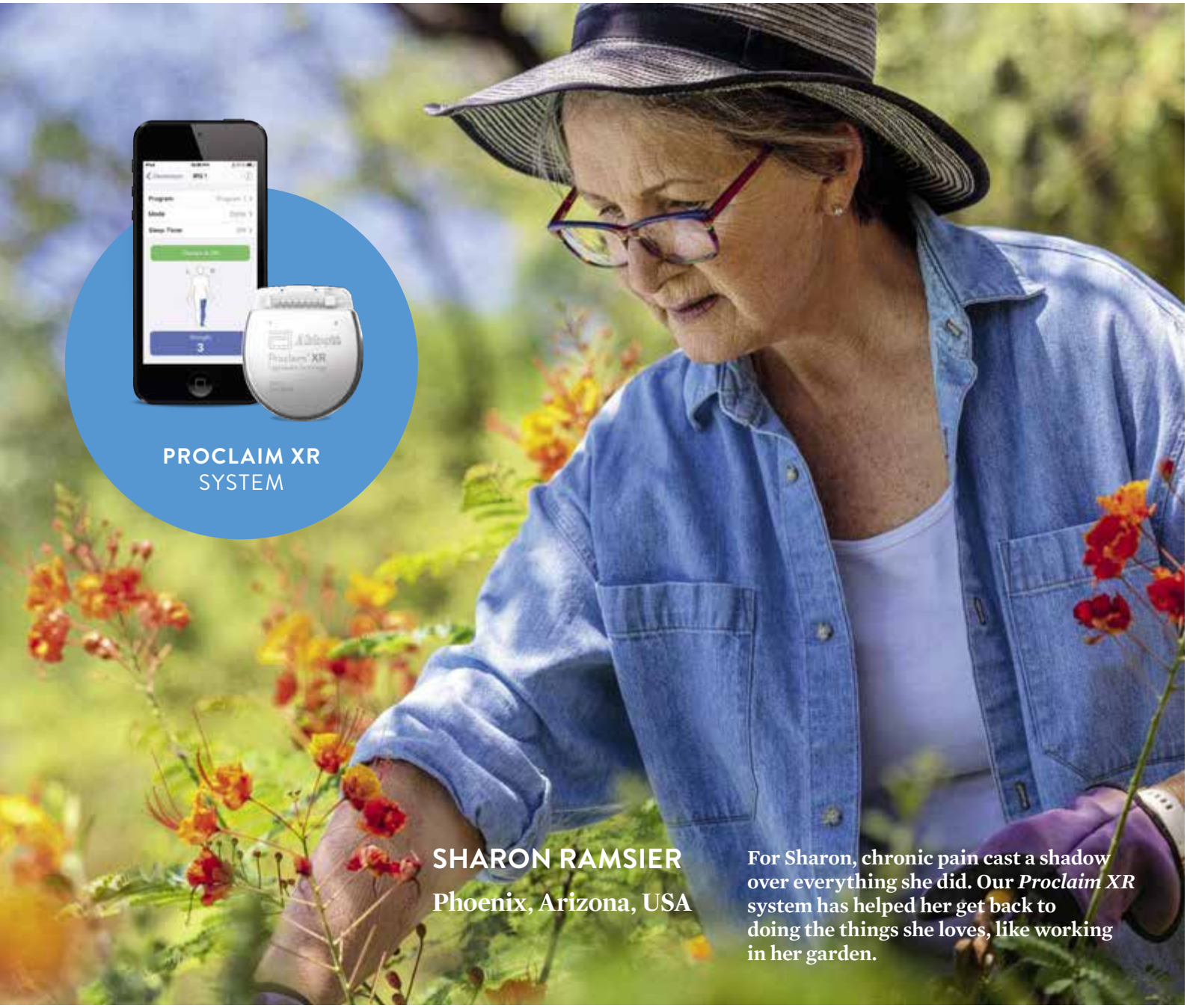
NeuroSphere Virtual Clinic, a proprietary Abbott technology, lets doctors interact remotely with our neuromodulation devices and refine treatments in real time.

Our recharge-free systems, with their long-lasting batteries, offer a convenient option for people who want a more active lifestyle

ON THE HORIZON

JUST THE BEGINNING

Abbott is developing smarter systems that are even more patient-centric. Our researchers are working toward a future where data from consumer-grade wearables, like smart watches, can be used to identify the patient's state and automatically adjust their therapy to match their current need.



Abbott's portfolio includes spinal-cord stimulation (SCS), dorsal root ganglion stimulation (DRG-S) and radio frequency (RF) devices that treat chronic pain, and deep-brain stimulation (DBS) systems to help alleviate the symptoms of movement disorders such as Parkinson's disease and essential tremor.

Our *IonicRF* generator, a minimally invasive technology, targets nerves sending pain signals to the brain. Our *Proclaim* XR Recharge-Free SCS system uses our revolutionary *BurstDR* Stimulation.

And our *Infinity* DBS System provides patients with streamlined, personalized DBS therapy.

Our first-of-its-kind *NeuroSphere Virtual Clinic*, launched in early 2021, lets our neuromodulation devices communicate with doctors from wherever they are through an internet or cellular connection. *NeuroSphere Virtual Clinic's* secure video chat and remote programming — all accessible via a controller app — let doctors make assessments and adjust patients' therapy settings.

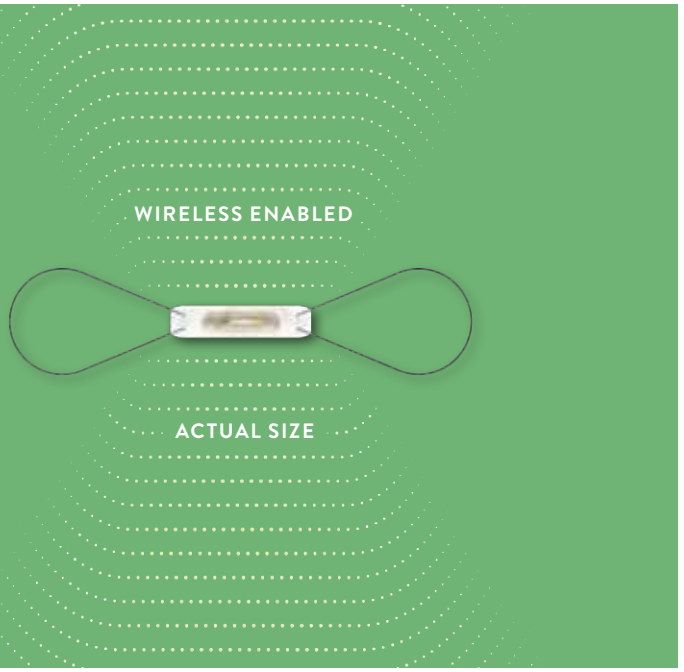
HEART FAILURE MANAGEMENT

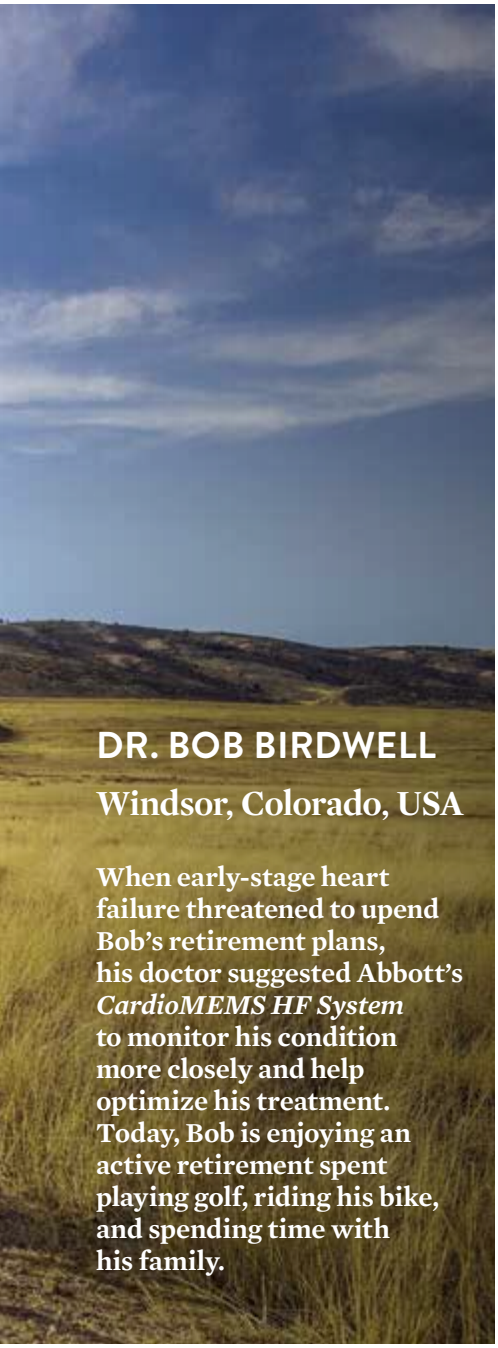
KEEPING TIME

CardioMEMS HF System

A small, implantable sensor placed near the heart, our *CardioMEMS HF System* provides doctors with actionable insights that can signal worsening heart failure even before a patient feels physical symptoms.

It's the first and only pulmonary-artery-pressure monitor that has been clinically proven to significantly reduce heart-failure hospital admissions and improve quality of life.





DR. BOB BIRDWELL

Windsor, Colorado, USA

When early-stage heart failure threatened to upend Bob's retirement plans, his doctor suggested Abbott's *CardioMEMS HF System* to monitor his condition more closely and help optimize his treatment. Today, Bob is enjoying an active retirement spent playing golf, riding his bike, and spending time with his family.

Keeping more people in the moment and out of the hospital.

In our Heart Failure business, Abbott's fundamental goal is to help keep patients moving forward with the best possible quality of life. Our portfolio spans the continuum of care—from monitoring for symptoms to advanced-stage therapy.

The flagship product in this business is our *HeartMate 3* left ventricular assist device (LVAD), for advanced heart failure patients needing short- or long-term mechanical circulatory support.

HeartMate 3 pumps a patient's blood using Abbott's proprietary *Full MagLev Flow* Technology to reduce damage to the blood as it passes through the device, helping to minimize complications and adverse events. This cutting-edge pumping system is also integral to our *CentriMag System*, the only acute circulatory-support system approved for 30-day use.

We also offer the *CardioMEMS HF System*, an implantable pulmonary-artery-pressure monitor that lets doctors remotely monitor the pressure of blood flowing from the heart to the lungs, which can signal worsening heart failure even in the absence of noticeable symptoms.

ON THE HORIZON

BREAKTHROUGH TREATMENTS

Abbott is actively developing the next generation of heart-pump technology and driving innovation that improves connectivity between patients and their doctors so we can continue offering heart-failure patients more freedom and greater quality of life. As we reimagine the future of heart-failure management, we're focused on making our devices even smaller and more efficient.

ELECTROPHYSIOLOGY

A STEADY BEAT

Bold solutions to challenge atrial fibrillation (AFib) and help deliver better patient outcomes

ON THE HORIZON

FROM VIRTUAL REALITY TO ACTUAL RESULTS

Abbott's electrophysiology business helps physicians hone their skills — and deliver better patient outcomes — with immersive virtual reality (VR) training programs, as well as a VR app that features cases from leading physicians around the world using our mapping and ablation technologies.

In our electrophysiology business, we're focused on tackling the growing number of more than 33 million people worldwide who have AFib.[4] That number is expected to double by 2050.[5]

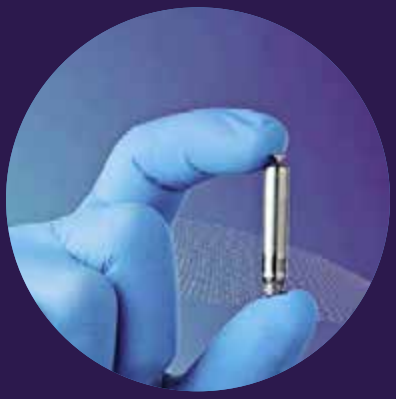
We are revolutionizing cardiac mapping. With the *EnSite X EP System* and *Advisor HD Grid Mapping Catheter, Sensor Enabled*, physicians can map their patients' hearts and find the specific tissue that's causing the heart to beat irregularly. Our innovative technology offers physicians solutions to reduce procedure times by providing faster data collection[6], which means less time for patients under anesthesia and exposure to radiation. And our *TactiCath Contact Force Ablation Catheter, Sensor Enabled* is an accurate[6] ablation solution for the treatment of atrial fibrillation. This treatment isolates the area where the irregular heartbeat is occurring from the rest of the heart to prevent it from producing atrial fibrillation. Our *TactiCath* catheter shows clinical success in 85.5% of patients using optimal contact force[7] and reduces procedural costs due to fewer post-ablation clinical events.[8]

MORE DATA, BETTER OUTCOMES

MIHO SATO

Sendai, Japan

Miho had her first pacemaker implanted in 2012. In 2021, that device was replaced with Abbott's *Gallant* ICD. With *Gallant*, she says, "the remote monitoring function makes me more confident to travel, and to make plans to see my daughter in Tokyo".



AVEIR

ON THE HORIZON

NEXT-GENERATION PACING

Abbott's *Aveir* system, currently in development, is the world's only leadless pacemaker specifically designed to be retrieved when the device needs to be replaced or if a patient's therapy needs change.

Connected care data helps doctors better manage abnormal heart rhythms.

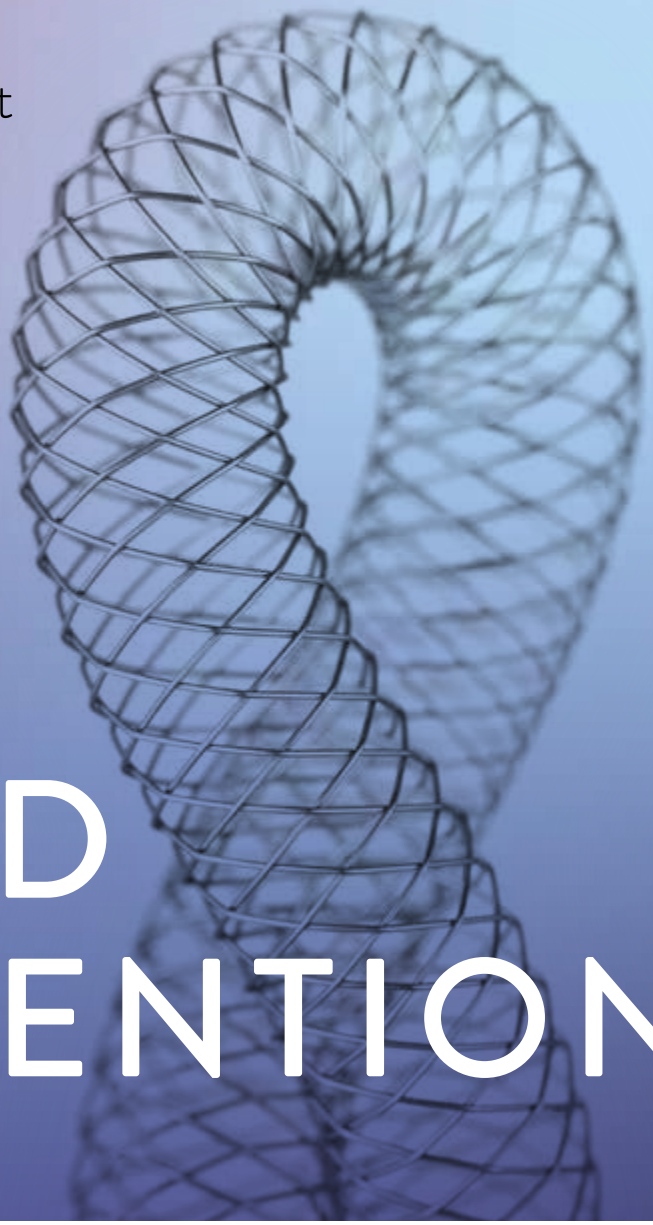
Combining the power of continuous data collection with a broad portfolio of targeted, cutting-edge technologies, Abbott helps doctors deliver the best possible care for patients with irregular heartbeats.

Our portfolio of Bluetooth®-compatible implantable cardiac monitors (ICM) includes the *Confirm Rx* ICM and our new *Jot Dx*, the first ICM to let doctors choose to focus on key episodes or review complete data to catch hard-to-detect arrhythmias. Paired with our suite of remote readers, transmitters, and smartphone apps, these devices let patients stay connected to care without having to travel to the doctor's office.

We offer multiple pacemakers, including the *Assurity MRI* pacemaker, the world's smallest, longest-lasting wireless MRI pacemaker; the *Endurity* pacemaker, designed for ease of implant; and our *Quadra Allure MP* Cardiac Resynchronization Therapy Pacemaker.

For cardiac resynchronization therapy (CRT), a proven treatment for heart-failure management, we have the *Entrant* Cardiac Resynchronization Therapy Defibrillator (CRT-D); the *Gallant HF* CRT-D, which offers easier, faster, more effective CRT optimization; and the *Quadra Assura* MP CRT-D, which provides enhanced programming options and multiple monitoring and safety features.

An ever-expanding portfolio keeps Abbott at the forefront of coronary and peripheral vascular intervention.



VASCULAR CARE

REFINED INTERVENTION

JETI THROMBECTOMY SYSTEM

ON THE HORIZON

NEXT-GENERATION CARE

The acquisition of Walk Vascular, LLC in September 2021 added the *JETi* Thrombectomy System to Abbott's portfolio. This unique aspiration system is designed to break up and remove clots from the peripheral vascular system while reducing the risk of dislodged clots.

BETTY BATTS

San Bernardino, California, USA

After Betty's *(right)* doctor determined that the uncomfortable swelling in her leg was the result of a venous thrombosis, he used Abbott's *JETi* Thrombectomy System to break up the blockage and get her back on her feet.

Abbott's vascular business provides minimally invasive products designed to optimize the treatment of coronary and peripheral vascular disease. Our *OPTIS* Imaging Systems, used with our *Dragonfly OpStar* Imaging Catheter, provide vital information to guide stenting procedures.

Our stent portfolio is anchored by the *Xience* line, the world's leading drug-eluting stents. *Xience* stents have been implanted in over 15 million patients and studied in more than 120 clinical trials. The *Xience Skypoint,* the newest stent in the *Xience* family, has an enhanced design that offers better expansion, excellent deliverability, and trusted patient outcomes.

Our *Supera* Peripheral Stent is indicated for the superficial femoral artery (SFA) and the proximal popliteal artery. Engineered using a unique interwoven wire technology, this nitinol stent offers physicians unmatched clinical outcomes across varied lesion complexities and lengths.

Our vascular portfolio is rounded out by vessel-closure devices and catheters that allow physicians to deliver optimal treatments for patients with coronary artery disease.

MORE PEOPLE, MORE PLACES

MARTIN BARONTI

Santiago, Chile

Martin was born with congenital heart disease and takes great care to protect himself against illness. That's why he gets vaccinated every year with Abbott's *Influvac*. Staying healthy means he gets to do what he enjoys most, spending time with family and friends, and getting better at his favorite sport, skateboarding.

We are committed to bringing the benefits of our trusted medicines to more people in the world's fastest-growing countries.

With a broad portfolio of off-patent medicines, we offer therapies to help treat some of the most pervasive health conditions around the world, helping address local patient needs with market-specific portfolios in more than 100 countries. We differentiate ourselves from pure-generic competitors in many ways — through our exacting quality standards, reliable supply chain, superior clinical science, broad product range, and patient-centered innovation.

Our portfolio spans multiple therapeutic areas: Gastroenterology, Women's Health, Cardiometabolic, Pain Management/Central Nervous System, and Respiratory; and includes the world's leading medicines for pancreatic enzyme deficiency, progesterone hormone therapy, and vertigo.

We also offer services such as a:care, a first-of-its-kind digital platform that gives patients and healthcare providers tools, tips, and resources to better manage people's health.

EVERY DAY, MORE THAN 19 MILLION PEOPLE AROUND THE WORLD USE OUR MEDICINES.

INCREMENTAL INNOVATION FOR FASTER PAIN RELIEF

- 2x faster relief than tablets
- 8-hour action
- Targets pain directly

Portfolios targeted to local needs

ABBOTT ADVANCING

At Abbott, we're propelling healthcare science and technology into the future. It's a future that offers more personal and more precise care, and that gives people more convenience and control. It's a future that holds incredible promise and opportunity. With the right tools — data, access, interventions — we can give everyone the best chance to live a fuller, healthier life.


9:41
LIBRE 3
Low Glucose Alarm
69 mg/dL
Dismiss

2021 FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF EARNINGS

(in millions except per share data)

Year Ended December 31	2021	2020	2019
Net Sales	$43,075	$34,608	$31,904
Cost of products sold, excluding amortization of intangible assets	18,537	15,003	13,231
Amortization of intangible assets	2,047	2,132	1,936
Research and development	2,742	2,420	2,440
Selling, general and administrative	11,324	9,696	9,765
Total Operating Cost and Expenses	34,650	29,251	27,372
Operating Earnings	8,425	5,357	4,532
Interest expense	533	546	670
Interest income	(43)	(46)	(94)
Net foreign exchange (gain) loss	1	(8)	7
Debt extinguishment costs	–	–	63
Other (income) expense, net	(277)	(103)	(191)
Earnings from Continuing Operations Before Taxes	8,211	4,968	4,077
Taxes on Earnings from Continuing Operations	1,140	497	390
Earnings from Continuing Operations	7,071	4,471	3,687
Net Earnings from Discontinued Operations, net of taxes	–	24	–
Net Earnings	$ 7,071	$ 4,495	$ 3,687
Basic Earnings Per Common Share –			
Continuing Operations	$ 3.97	$ 2.51	$ 2.07
Discontinued Operations	–	0.01	–
Net Earnings	$ 3.97	$ 2.52	$ 2.07
Diluted Earnings Per Common Share –			
Continuing Operations	$ 3.94	$ 2.49	$ 2.06
Discontinued Operations	–	0.01	–
Net Earnings	$ 3.94	$ 2.50	$ 2.06
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,775	1,773	1,768
Dilutive Common Stock Options	14	13	13
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,789	1,786	1,781
Outstanding Common Stock Options Having No Dilutive Effect	–	9	61

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	2021	2020	2019
Net Earnings	$ 7,071	$ 4,495	$ 3,687
Foreign currency translation gain (loss) adjustments	(980)	65	(12)
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 $340 in 2021, $(79) in 2020 and $(238) in 2019	1,201	(331)	(814)
Net gains (losses) on derivative instruments designated as cash flow hedges, net of taxes of $63 in 2021, $(87) in 2020 and $(17) in 2019	351	(215)	(53)
Other Comprehensive Income (Loss)	572	(481)	(879)
Comprehensive Income	$ 7,643	$ 4,014	$ 2,808

Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$(5,839)	$(4,859)	$(4,924)
Net actuarial (losses) and prior service (cost) and credits	(2,670)	(3,871)	(3,540)
Cumulative gains (losses) on derivative instruments designated as cash flow hedges	135	(216)	(1)
Accumulated other comprehensive income (loss)	$(8,374)	$(8,946)	$(8,465)

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	2021	2020	2019
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 7,071	$ 4,495	$ 3,687
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,491	1,195	1,078
Amortization of intangible assets	2,047	2,132	1,936
Share-based compensation	640	546	519
Investing and financing losses, net	55	425	184
Loss on extinguishment of debt	—	—	63
Trade receivables	(383)	(924)	(275)
Inventories	(456)	(493)	(593)
Prepaid expenses and other assets	(312)	(627)	(138)
Trade accounts payable and other liabilities	1,288	1,766	220
Income taxes	(908)	(614)	(545)
Net Cash From Operating Activities	10,533	7,901	6,136
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,885)	(2,177)	(1,638)
Acquisitions of businesses and technologies, net of cash acquired	(187)	(42)	(170)
Proceeds from business dispositions	134	58	48
Purchases of investment securities	(173)	(83)	(103)
Proceeds from sales of investment securities	77	10	21
Other	26	19	27
Net Cash From (Used in) Investing Activities	(2,008)	(2,215)	(1,815)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt, net and other	(204)	2	—
Proceeds from issuance of long-term debt and debt with maturities over 3 months	4	1,281	1,842
Repayments of long-term debt and debt with maturities over 3 months	(48)	(1,333)	(3,441)
Purchases of common shares	(2,299)	(403)	(718)
Proceeds from stock options exercised	255	245	298
Dividends paid	(3,202)	(2,560)	(2,270)
Other	—	(11)	—
Net Cash From (Used in) Financing Activities	(5,494)	(2,779)	(4,289)
Effect of exchange rate changes on cash and cash equivalents	(70)	71	(16)
Net Increase (Decrease) in Cash and Cash Equivalents	2,961	2,978	16
Cash and Cash Equivalents, Beginning of Year	6,838	3,860	3,844
Cash and Cash Equivalents, End of Year	$ 9,799	$ 6,838	$ 3,860
Supplemental Cash Flow Information:			
Income taxes paid	$ 1,941	$ 970	$ 930
Interest paid	544	549	677

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 9,799	$ 6,838
Investments, primarily bank time deposits and U.S. treasury bills	450	310
Trade receivables, less allowances of — 2021: $519; 2020: $460	6,487	6,414
Inventories:		
Finished products	3,081	3,030
Work in process	694	712
Materials	1,382	1,270
Total inventories	5,157	5,012
Other prepaid expenses and receivables	2,346	1,867
Total current assets	24,239	20,441
Investments	816	821
Property and equipment, at cost:		
Land	525	538
Buildings	4,007	4,014
Equipment	13,528	12,884
Construction in progress	1,304	1,357
	19,364	18,793
Less: accumulated depreciation and amortization	10,405	9,764
Net property and equipment	8,959	9,029
Intangible assets, net of amortization	12,739	14,784
Goodwill	23,231	23,744
Deferred income taxes and other assets	5,212	3,729
	$75,196	$72,548

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2021	2020
Liabilities and Shareholders' Investment		
Current liabilities:		
Short-term borrowings	$ —	$ 213
Trade accounts payable	4,408	3,946
Salaries, wages and commissions	1,625	1,416
Other accrued liabilities	5,181	5,165
Dividends payable	831	798
Income taxes payable	306	362
Current portion of long-term debt	754	7
Total current liabilities	13,105	11,907
Long-term debt	17,296	18,527
Post-employment obligations and other long-term liabilities	8,771	9,111
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: 2021: 1,985,273,421; 2020: 1,981,156,896	24,470	24,145
Common shares held in treasury, at cost — Shares: 2021: 221,191,228; 2020: 209,926,622	(11,822)	(10,042)
Earnings employed in the business	31,528	27,627
Accumulated other comprehensive income (loss)	(8,374)	(8,946)
Total Abbott Shareholders' Investment	35,802	32,784
Noncontrolling interests in subsidiaries	222	219
Total Shareholders' Investment	36,024	33,003
	$ 75,196	$ 72,548

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	2021	2020	2019
Common Shares:			
Beginning of Year			
Shares: 2021: 1,981,156,896; 2020: 1,976,855,085; 2019: 1,971,189,465	$ 24,145	$ 23,853	$ 23,512
Issued under incentive stock programs			
Shares: 2021: 4,116,525; 2020: 4,301,811; 2019: 5,665,620	173	181	209
Share-based compensation	642	548	521
Issuance of restricted stock awards	(490)	(437)	(389)
End of Year			
Shares: 2021: 1,985,273,421; 2020: 1,981,156,896; 2019: 1,976,855,085	$ 24,470	$ 24,145	$ 23,853
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2021: 209,926,622; 2020: 214,351,838; 2019: 215,570,043	$(10,042)	$(10,147)	$ (9,962)
Issued under incentive stock programs			
Shares: 2021: 5,650,168; 2020: 6,290,757; 2019: 7,796,030	271	298	361
Purchased			
Shares: 2021: 16,914,774; 2020: 1,865,541; 2019: 6,577,825	(2,051)	(193)	(546)
End of Year			
Shares: 2021: 221,191,228; 2020: 209,926,622; 2019: 214,351,838	$(11,822)	$(10,042)	$(10,147)
Earnings Employed in the Business:			
Beginning of Year	$ 27,627	$ 25,847	$ 24,560
Impact of adoption of new accounting standards	—	(5)	—
Net earnings	7,071	4,495	3,687
Cash dividends declared on common shares (per share — 2021: $1.82; 2020: $1.53; 2019: $1.32)	(3,235)	(2,722)	(2,343)
Effect of common and treasury share transactions	65	12	(57)
End of Year	$ 31,528	$ 27,627	$ 25,847
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (8,946)	$ (8,465)	$ (7,586)
Other comprehensive income (loss)	572	(481)	(879)
End of Year	$ (8,374)	$ (8,946)	$ (8,465)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 219	$ 213	$ 198
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	3	6	15
End of Year	$ 222	$ 219	$ 213

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.

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, 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 the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. 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, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

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 (TCJA), or any additional outside basis differences that exist, as these amounts continue to be indefinitely reinvested in foreign operations. Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. Abbott treats the GILTI tax as a period expense and provides for the tax in the year that the tax is incurred. Interest and penalties on income tax obligations are included in taxes on earnings.

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 2021, 2020 and 2019 were $7.042 billion, $4.449 billion and $3.666 billion, respectively. Net earnings allocated to common shares in 2021, 2020 and 2019 were $7.042 billion, $4.473 billion and $3.666 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, 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.

Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 $256 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

Trade Receivable Valuations — Accounts receivable are stated at the net amount expected to be collected. The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances. 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 net realizable value. 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
Equipment	2 to 20 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. 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 or medical device 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.

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 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 — NEW ACCOUNTING STANDARDS

RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Abbott adopted the standard on January 1, 2021. The new standard did not have an impact on its consolidated financial statements.

NOTE 3 — REVENUE

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 products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables provide detail by sales category:

	2021			2020			2019		
(in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Established Pharmaceutical Products —									
Key Emerging Markets	$ —	$ 3,539	$ 3,539	$ —	$ 3,209	$ 3,209	$ —	$ 3,392	$ 3,392
Other	—	1,179	1,179	—	1,094	1,094	—	1,094	1,094
Total	—	4,718	4,718	—	4,303	4,303	—	4,486	4,486
Nutritionals —									
Pediatric Nutritionals	2,192	2,106	4,298	1,987	2,140	4,127	1,879	2,282	4,161
Adult Nutritionals	1,364	2,632	3,996	1,292	2,228	3,520	1,231	2,017	3,248
Total	3,556	4,738	8,294	3,279	4,368	7,647	3,110	4,299	7,409
Diagnostics —									
Core Laboratory	1,145	3,983	5,128	1,166	3,309	4,475	1,086	3,570	4,656
Molecular	566	861	1,427	621	817	1,438	149	293	442
Point of Care	384	152	536	369	147	516	438	123	561
Rapid Diagnostics	5,034	3,519	8,553	2,618	1,758	4,376	1,214	840	2,054
Total	7,129	8,515	15,644	4,774	6,031	10,805	2,887	4,826	7,713
Medical Devices —									
Rhythm Management	1,018	1,180	2,198	903	1,011	1,914	1,057	1,087	2,144
Electrophysiology	778	1,129	1,907	660	918	1,578	742	979	1,721
Heart Failure	654	235	889	547	193	740	574	195	769
Vascular	915	1,739	2,654	853	1,486	2,339	1,047	1,803	2,850
Structural Heart	730	880	1,610	540	707	1,247	616	784	1,400
Neuromodulation	616	165	781	564	138	702	660	171	831
Diabetes Care	1,212	3,116	4,328	864	2,403	3,267	678	1,846	2,524
Total	5,923	8,444	14,367	4,931	6,856	11,787	5,374	6,865	12,239
Other	34	18	52	38	28	66	27	30	57
Total	$16,642	$26,433	$43,075	$13,022	$21,586	$34,608	$11,398	$20,506	$31,904

Abbott recognizes revenue from product sales upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. For maintenance agreements that provide service beyond Abbott's standard warranty and other service agreements, revenue is recognized ratably over the contract term. A time-based measure of progress appropriately reflects the transfer of services to the customer. Payment terms between Abbott and its customers vary by the type of customer, country of sale, and the products or services offered. The term between invoicing and the payment due date is not significant.

Management exercises judgment in estimating variable consideration. 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. Abbott provides rebates to government agencies, wholesalers, group purchasing organizations and other 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. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. 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 return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

REMAINING PERFORMANCE OBLIGATIONS

As of December 31, 2021, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $4 billion in the Diagnostic Products segment and approximately $435 million in the Medical Devices segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

These performance obligations primarily reflect the future sale of reagents/consumables in contracts with minimum purchase obligations, extended warranty or service obligations related to previously sold equipment, and remote monitoring services related to previously implanted devices. Abbott has applied the practical expedient described in ASC 606-10-50-14 and has not included remaining performance obligations related to contracts with original expected durations of one year or less in the amounts above.

ASSETS RECOGNIZED FOR COSTS TO OBTAIN A CONTRACT WITH A CUSTOMER

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2021 and 2020 were not significant.

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2021 and 2020 were not significant.

OTHER CONTRACT ASSETS AND LIABILITIES

Abbott discloses Trade receivables separately in the Consolidated Balance Sheet at the net amount expected to be collected. Contract assets primarily relate to Abbott's conditional right to consideration for work completed but not billed at the reporting date. Contract assets at the beginning and end of the period, as well as the changes in the balance, were not significant.

Contract liabilities primarily relate to payments received from customers in advance of performance under the contract. Abbott's contract liabilities arise primarily in the Medical Devices reportable segment when payment is received upfront for various multi-period extended service arrangements. Changes in the contract liabilities during the period are as follows:

(in millions)	
Contract Liabilities:	
Balance at December 31, 2019	$ 294
Unearned revenue from cash received during the period	505
Revenue recognized related to contract liability balance	(394)
Balance at December 31, 2020	405
Unearned revenue from cash received during the period	615
Revenue recognized related to contract liability balance	(500)
Balance at December 31, 2021	$ 520

NOTE 4 — SUPPLEMENTAL FINANCIAL INFORMATION

Other (income) expense, net, for 2021, 2020 and 2019 includes approximately $270 million, $205 million and $225 million of income, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans.

The following summarizes the activity related to the allowance for doubtful accounts:

(in millions)	
Allowance for Doubtful Accounts:	
Balance at December 31, 2019	$228
Impact of adopting ASU 2016-13	7
Provisions/charges to income	88
Amounts charged off and other deductions	(35)
Balance at December 31, 2020	288
Provisions/charges to income	51
Amounts charged off and other deductions	(26)
Balance at December 31, 2021	$313

The allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the accounts receivable. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

The detail of various balance sheet components is as follows:

(in millions) December 31	2021	2020
Long-term Investments:		
Equity securities	$748	$776
Other	68	45
Total	$816	$821

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The decrease in Abbott's long-term investments as of December 31, 2021 versus the balance as of December 31, 2020 primarily relates to the sale of an equity method investment partially offset by the acquisition of additional investments.

Abbott's equity securities as of December 31, 2021 and December 31, 2020, include $391 million and $366 million, respectively, of investments in mutual funds that are held in a rabbi trust 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.

Abbott also holds certain investments as of December 31, 2021 with a carrying value of $256 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $90 million that do not have a readily determinable fair value. An approximately $60 million impairment of an investment was recorded in 2020 for which Abbott had previously recorded an unrealized gain of approximately $50 million in 2018.

In September 2021, Abbott acquired 100 percent of Walk Vascular, LLC (Walk Vascular), a commercial-stage medical device company with a minimally invasive thrombectomy system designed to remove peripheral blood clots. Walk Vascular's peripheral thrombectomy system will be incorporated into Abbott's existing endovascular portfolio. The purchase price, the allocation of acquired assets and liabilities, and the revenue and net income contributed by Walk Vascular since the date of acquisition are not material to Abbott's consolidated financial statements.

In 2019, in conjunction with the acquisition of Cephea Valve Technologies, Inc., Abbott acquired a research & development (R&D) asset valued at $102 million, which was immediately expensed. The $102 million of expense was recorded in the Research and development line of Abbott's Consolidated Statement of Earnings.

(in millions) December 31	2021	2020
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 364	$ 316
Accrued other rebates (a)	1,082	805
All other	3,735	4,044
Total	$5,181	$5,165

(a) Accrued wholesaler chargeback rebates of $211 million and $178 million at December 31, 2021 and 2020, 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) December 31	2021	2020
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$2,738	$3,119
Deferred income taxes	1,392	1,406
Operating lease liabilities	956	902
All other (b)	3,685	3,684
Total	$8,771	$9,111

(b) Includes approximately $680 million and $740 million of net unrecognized tax benefits in 2021 and 2020, respectively.

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 Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2019	$(4,924)	$(3,540)	$ (1)	$(8,465)
Other comprehensive income (loss) before reclassifications	65	(523)	(140)	(598)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	–	192	(75)	117
Net current period other comprehensive income (loss)	65	(331)	(215)	(481)
Balance at December 31, 2020	(4,859)	(3,871)	(216)	(8,946)
Other comprehensive income (loss) before reclassifications	(980)	954	137	111
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	–	247	214	461
Net current period other comprehensive income (loss)	(980)	1,201	351	572
Balance at December 31, 2021	$(5,839)	$(2,670)	$ 135	$(8,374)

(a) (Income) loss amounts reclassified from accumulated other comprehensive income related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost – see Note 13 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

The total amount of goodwill reported was $23.2 billion at December 31, 2021 and $23.7 billion at December 31, 2020. Foreign currency translation adjustments decreased goodwill by $532 million in 2021 and increased goodwill by $550 million in 2020. The amount of goodwill related to reportable segments at December 31, 2021 was $2.8 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.7 billion for the Diagnostic Products segment, and $16.4 billion for the Medical Devices segment. There were no reductions of goodwill relating to impairments in 2021 and 2020.

Indefinite-lived intangible assets, which relate to IPR&D acquired in a business combination, were approximately $919 million and $1.2 billion at December 31, 2021 and 2020, respectively. The decrease is due to IPR&D assets primarily related to the Medical Devices segment that became amortizable in 2021, partially offset by an increase of approximately $80 million related to a recent acquisition. In 2020, a $55 million impairment of an IPR&D intangible asset related to the Medical Devices segment was recorded in the Research and development line of Abbott's Consolidated Statement of Earnings.

The gross amount of amortizable intangible assets, primarily product rights and technology, was $27.7 billion and $27.8 billion as of December 31, 2021 and 2020, respectively, and accumulated amortization was $15.9 billion and $14.2 billion as of December 31, 2021 and 2020, respectively. Amortizable intangible assets increased by approximately $120 million as a result of a recent acquisition and the additional assets are being amortized over 9 years. Foreign currency translation adjustments decreased intangible assets by $197 million in 2021 and increased intangible assets by $67 million in 2020. In 2021, asset impairments related to the Established Pharmaceutical Products segment decreased intangible assets by $14 million. In 2020, asset impairments related to the Medical Devices segment decreased intangible assets by $148 million. The impairments were recorded in the Cost of products sold, excluding amortization of intangible assets line of Abbott's Consolidated Statement of Earnings. The estimated annual amortization expense for intangible assets recorded at December 31, 2021 is approximately $2.1 billion in 2022, $2.0 billion in 2023, $1.9 billion in 2024, $1.7 billion in 2025 and $1.6 billion in 2026. Amortizable intangible assets are amortized over 2 to 20 years.

NOTE 7 — RESTRUCTURING PLANS

On May 27, 2021, Abbott management approved a restructuring plan related to its Diagnostic Products segment to align its manufacturing network for COVID-19 diagnostic tests with changes in the second quarter in projected testing demand driven by several factors, including significant reductions in cases in the U.S. and other major developed countries, the accelerated rollout of COVID-19 vaccines globally and the U.S. health authority's updated guidance on testing for fully vaccinated individuals. In the second quarter of 2021, Abbott recorded charges of $499 million under this plan in Cost of products sold. The charge recognized in the second quarter included fixed asset write-downs of $80 million, inventory-related charges of $248 million, and other exit costs, which included contract cancellations and employee-related costs of $171 million.

In the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased significantly, particularly in the U.S., demand for rapid COVID-19 tests increased significantly. As a result, in the second half of 2021, Abbott sold approximately $181 million of inventory that was previously estimated to have no net realizable value under the second quarter restructuring action. In addition, the estimate of other exit costs was reduced by a net $58 million as Abbott fulfilled its purchase obligations under certain contracts for which a liability was recorded in the second quarter or Abbott settled with the counterparty in the second half of 2021.

The following summarizes the activity related to this restructuring action and the status of the related accruals as of December 31, 2021:

(in millions)	Inventory-Related Charges	Fixed Asset Write-Downs	Other Exit Costs	Total
Restructuring charges recorded in 2021	$ 248	$ 80	$113	$ 441
Payments	—	—	(90)	(90)
Other non-cash	(248)	(80)	—	(328)
Accrued balance at December 31, 2021	$ —	$ —	$ 23	$ 23

From 2017 to 2021, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2018, the accrued balance associated with these actions was $41 million. From 2019 to 2021, Abbott recorded employee-related severance and other charges totaling approximately $95 million, comprised of $10 million in 2021, $13 million in 2020, and $72 million in 2019. Approximately $31 million was recorded in Cost of products sold, approximately $5 million was recorded in Research and development, and approximately $59 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $9 million.

From 2017 to 2020, 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. As of December 31, 2018, the accrued balance associated with these actions was $70 million. From 2019 to 2020, Abbott recorded employee-related severance and other charges totaling approximately $102 million, comprised of $36 million in 2020 and $66 million in 2019. Approximately $22 million was recorded in Cost of products sold, approximately $30 million was recorded in Research and development, and approximately $50 million was recorded in Selling, general and administrative expense over the two years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $24 million.

In 2021, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the diagnostics, established pharmaceuticals, nutritional, and medical devices businesses. Abbott recorded employee-related severance and other charges of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

approximately $68 million. Approximately $16 million was recorded in Cost of products sold, approximately $4 million was recorded in Research and development, and approximately $48 million was recorded in Selling, general and administrative expense.

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges in 2021	$68
Payments and other adjustments	(7)
Accrued balance at December 31, 2021	$61

NOTE 8 — INCENTIVE STOCK PROGRAM

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 2021, Abbott granted 2,865,115 stock options, 497,373 restricted stock awards and 4,721,696 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 over three years, with no more than one-third of the award vesting 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 options and 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, 2021, approximately 102 million shares remained available for future issuance.

The following table summarizes stock option activity for the year ended December 31, 2021 and the outstanding stock options as of December 31, 2021.

(intrinsic values in millions)	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	28,919,886	$ 55.65	6.0	$1,557
Granted	2,865,115	123.70		
Exercised	(4,495,454)	40.48		
Lapsed	(89,696)	106.80		
Outstanding at December 31, 2021	27,199,851	$ 65.16	5.7	$2,056
Exercisable at December 31, 2021	20,387,490	$ 53.49	4.9	$1,779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes restricted stock awards and units activity for the year ended December 31, 2021.

	Share Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2020	12,492,868	$ 78.19
Granted	5,219,069	123.85
Vested	(6,507,761)	73.54
Forfeited	(645,651)	98.13
Outstanding at December 31, 2021	10,558,525	$102.40

The fair market value of restricted stock awards and units vested in 2021, 2020 and 2019 was $809 million, $631 million and $588 million, respectively.

The total intrinsic value of options exercised in 2021, 2020 and 2019 was $393 million, $279 million and $315 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2021 amounted to approximately $450 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 2021, 2020 and 2019 for share-based plans totaled approximately $640 million, $546 million and $519 million, respectively, and the tax benefit recognized was approximately $267 million, $200 million and $197 million, respectively. Stock compensation cost capitalized as part of inventory is not significant.

The table below summarizes the fair value of an option granted in 2021, 2020 and 2019 and the assumptions included in the Black-Scholes option-pricing model used to estimate the fair value:

	2021	2020	2019
Fair value	$24.17	$14.39	$14.50
Risk-free interest rate	0.8%	1.3%	2.5%
Average life of options (years)	6.0	6.0	6.0
Volatility	23.8%	19.4%	19.8%
Dividend yield	1.5%	1.6%	1.7%

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 9 — DEBT AND LINES OF CREDIT

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

(in millions)	2021	2020
2.55% Notes, due 2022	$ 750	$ 750
0.875% Notes, due 2023	1,294	1,398
3.40% Notes, due 2023	1,050	1,050
5-year term loan due 2024	521	577
0.10% Notes, due 2024	670	724
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,294	1,398
3.75% Notes, due 2026	1,700	1,700
0.375% Notes, due 2027	670	724
1.15% Notes, due 2028	650	650
1.40% Notes, due 2030	650	650
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(78)	(87)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	23	144
Total carrying amount of long-term debt	18,050	18,534
Less: Current portion	754	7
Total long-term portion	$17,296	$18,527

On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.

On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In 2019, Abbott's long-term borrowings and debt issuance included the following:

- On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed an offering of €1.180 billion of long-term debt consisting of €590 million of 0.10% Notes due 2024 and €590 million of 0.375% Notes due 2027. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.
- On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

In 2019, Abbott's repayment of long-term debt included the following:

- $0.500 billion outstanding principal amount of its 2.80% Notes due 2020 – redeemed on February 24, 2019
- $2.850 billion principal amount of its 2.9% Notes due 2021 – redeemed on December 19, 2019. Abbott incurred a charge of $63 million related to the early repayment of this debt.

The 2.80% Notes were redeemed under a bond redemption authorization approved by the board of directors in 2018. The 2.9% Notes were redeemed under a bond redemption authorization approved by the board of directors in September 2019 for the early redemption of up to $5 billion of outstanding long-term notes. The 2019 bond redemption authorization superseded the board's 2018 authorization. Of the $5 billion authorization, $2.15 billion remains available as of December 31, 2021.

Principal payments required on long-term debt outstanding at December 31, 2021 are $754 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024, $1.5 billion in 2025, $3.0 billion in 2026 and $9.3 billion in 2027 and thereafter.

At December 31, 2021, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's.

In December 2021, Abbott repaid a short-term facility for approximately $195 million. After the repayment, Abbott has no short-term borrowings. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2020 and 2019.

NOTE 10 — LEASES

LEASES WHERE ABBOTT IS THE LESSEE

Abbott has entered into operating leases as the lessee for office space, manufacturing facilities, R&D laboratories, warehouses, vehicles and equipment. Finance leases are not significant. Abbott's operating leases generally have remaining lease terms of 1 to 10 years. Some leases include options to extend beyond the original lease term, generally up to 10 years and some include options to terminate early. These options have been included in the determination of the lease liability when it is reasonably certain that the option will be exercised.

For all of its asset classes, Abbott elected the practical expedient allowed under FASB ASC No. 842, "Leases" to account for each lease component (e.g., the right to use office space) and the associated non-lease components (e.g., maintenance services) as a single lease component. Abbott also elected the short-term lease accounting policy for all asset classes; therefore, Abbott is not recognizing a lease liability or right of use (ROU) asset for any lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that Abbott is reasonably certain to exercise.

As Abbott's leases typically do not provide an implicit rate, the interest rate used to determine the present value of the payments under each lease typically reflects Abbott's incremental borrowing rate based on information available at the lease commencement date. Abbott's incremental borrowing rates at January 1, 2019 were used for operating leases that commenced prior to January 1, 2019 when ASC No. 842 was adopted.

The following table provides information related to Abbott's operating leases:

(in millions, except weighted averages)	2021	2020	2019
Operating lease cost (a)	$359	$329	$314
Cash paid for amounts included in the measurement of operating lease liabilities	287	264	253
ROU assets arising from entering into new operating lease obligations	343	396	310
Weighted average remaining lease term at December 31 (in years)	8	8	8
Weighted average discount rate at December 31	2.7%	3.2%	3.9%

(a) Includes short-term lease expense and variable lease costs, which were immaterial in the years ended December 31, 2021, 2020 and 2019.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2021 were as follows:

(in millions)	
2022	$ 272
2023	234
2024	178
2025	142
2026	118
Thereafter	407
Total future minimum lease payments – undiscounted	1,351
Less: imputed interest	(150)
Present value of lease liabilities	$1,201

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the amounts and location of operating lease ROU assets and lease liabilities:

(in millions) December 31	2021	2020	Balance Sheet Caption
Operating Lease – ROU Asset	$1,153	$1,101	Deferred income taxes and other assets
Operating Lease Liability:			
Current	$ 245	$ 241	Other accrued liabilities
Non-current	956	902	Post-employment obligations and other long-term liabilities
Total Liability	$1,201	$1,143	

LEASES WHERE ABBOTT IS THE LESSOR

Certain assets, primarily diagnostics instruments, are leased to customers under contractual arrangements that typically include an operating or sales-type lease as well as performance obligations for reagents and other consumables. Sales-type leases are not significant. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where instruments are provided under operating lease arrangements, some portion or the entire lease revenue may be variable and subject to subsequent non-lease component (e.g., reagent) sales. The allocation of revenue between the lease and non-lease components is based on standalone selling prices. Operating lease revenue represented less than 3 percent of Abbott's total net sales in the years ended December 31, 2021, 2020 and 2019.

Assets related to operating leases are reported within Net property and equipment on the Consolidated Balance Sheet. The original cost and the net book value of such assets were $3.5 billion and $1.6 billion, respectively, as of December 31, 2021 and $3.3 billion and $1.4 billion, respectively, as of December 31, 2020.

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 primarily for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling $8.6 billion at December 31, 2021, and $8.1 billion at December 31, 2020, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2021 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2021 and 2020, Abbott held gross notional amounts of $12.2 billion and $11.0 billion, respectively, of such foreign currency forward exchange contracts.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $521 million and $577 million as of December 31, 2021 and December 31, 2020, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2021 and 2020, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Fair Value—Assets			Fair Value—Liabilities		
(in millions)	2021	2020	Balance Sheet Caption	2021	2020	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$ 87	$210	Deferred income taxes and other assets	$ —	$ —	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	222	30	Other prepaid expenses and receivables	65	433	Other accrued liabilities
Others not designated as hedges	70	60	Other prepaid expenses and receivables	32	65	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	521	577	Long-term debt
	$379	$300		$618	$1,075	

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.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2021	2020	2019	2021	2020	2019	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$164	$(207)	$9	$(252)	$102	$ 79	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	56	(31)	4	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(123)	162	148	Interest expense

A gain of $19 million, a loss of $171 million and a gain of $75 million were recognized in 2021, 2020 and 2019, 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.

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.

	2021		2020	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 748	$ 748	$ 776	$ 776
Other	68	68	45	45
Total long-term debt	(18,050)	(21,152)	(18,534)	(22,809)
Foreign Currency Forward Exchange Contracts:				
Receivable position	292	292	90	90
(Payable) position	(97)	(97)	(498)	(498)
Interest Rate Hedge Contracts:				
Receivable position	87	87	210	210
(Payable) position	—	—	—	—

The fair value of the debt was determined based on significant other observable inputs, including current interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

		Basis of Fair Value Measurement		
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2021:				
Equity securities	$ 402	$402	$ –	$ –
Interest rate swap derivative financial instruments	87	–	87	–
Foreign currency forward exchange contracts	292	–	292	–
Total Assets	$ 781	$402	$ 379	$ –
Fair value of hedged long-term debt	$2,926	$ –	$2,926	$ –
Foreign currency forward exchange contracts	97	–	97	–
Contingent consideration related to business combinations	130	–	–	130
Total Liabilities	$3,153	$ –	$3,023	$130
December 31, 2020:				
Equity securities	$ 386	$386	$ –	$ –
Interest rate swap derivative financial instruments	210	–	210	–
Foreign currency forward exchange contracts	90	–	90	–
Total Assets	$ 686	$386	$ 300	$ –
Fair value of hedged long-term debt	$3,049	$ –	$3,049	$ –
Foreign currency forward exchange contracts	498	–	498	–
Contingent consideration related to business combinations	68	–	–	68
Total Liabilities	$3,615	$ –	$3,547	$ 68

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.

Contingent consideration relates to businesses acquired by Abbott. The increase in contingent consideration during the year primarily reflects the fair value of the contingent consideration that resulted from a recent acquisition; the fair value of such contingent consideration was determined based on an independent appraisal. 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 that may be due under the other contingent consideration arrangements was estimated at December 31, 2021 to be approximately $230 million, which is dependent upon attaining certain sales thresholds or upon the occurrence of certain events, such as regulatory approvals. The increase from the estimate at December 31, 2020 of approximately $200 million reflects the additional contingent consideration that resulted from a recent acquisition, partially offset by the expiration of certain contingent consideration arrangements.

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 $30 million to $45 million. The recorded accrual balance at December 31, 2021 for these proceedings and exposures was approximately $40 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	Defined Benefit Plans		Medical and Dental Plans	
(in millions)	2021	2020	2021	2020
Projected benefit obligations, January 1	$13,129	$11,238	$ 1,567	$ 1,556
Service cost — benefits earned during the year	391	336	56	46
Interest cost on projected benefit obligations	248	300	33	42
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	(463)	1,305	(16)	(5)
Benefits paid	(340)	(327)	(74)	(73)
Other, including foreign currency translation	(192)	277	—	1
Projected benefit obligations, December 31	$12,773	$13,129	$ 1,566	$ 1,567
Plan assets at fair value, January 1	$12,018	$10,277	$ 353	$ 360
Actual return (loss) on plan assets	1,521	1,463	56	46
Company contributions	418	400	35	20
Benefits paid	(340)	(327)	(74)	(73)
Other, including foreign currency translation	(149)	205	—	—
Plan assets at fair value, December 31	$13,468	$12,018	$ 370	$ 353
Projected benefit obligations less (greater) than plan assets, December 31	$ 695	$ (1,111)	$(1,196)	$(1,214)
Long-term assets	$ 2,270	$ 824	$ —	$ —
Short-term liabilities	(31)	(29)	(2)	(1)
Long-term liabilities	(1,544)	(1,906)	(1,194)	(1,213)
Net asset (liability)	$ 695	$ (1,111)	$(1,196)	$(1,214)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 3,062	$ 4,559	$ 412	$ 486
Prior service cost (credits)	(5)	(5)	(39)	(67)
Total	$ 3,057	$ 4,554	$ 373	$ 419

The $463 million of defined benefit plan gains in 2021 that decreased the projected benefit obligations primarily reflect the year-over-year increase in the discount rates used to measure the obligations. The $1.3 billion of defined benefit plan losses in 2020 that increased the projected benefit obligations primarily reflect the year-over-year decline in the discount rates used to measure the obligations. The projected benefit obligations for non-U.S. defined benefit plans were $3.7 billion and $4.1 billion at December 31, 2021 and 2020, respectively. The accumulated benefit obligations for all defined benefit plans were $11.5 billion and $11.9 billion at December 31, 2021 and 2020, respectively.

For plans where the projected benefit obligations exceeded plan assets at December 31, 2021 and 2020, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2021	2020
Projected benefit obligation	$2,632	$8,946
Fair value of plan assets	1,057	7,010

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2021 and 2020, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2021	2020
Accumulated benefit obligation	$1,406	$2,459
Projected benefit obligation	1,554	2,773
Fair value of plan assets	136	965

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2021	2020	2019	2021	2020	2019
Service cost — benefits earned during the year	$ 391	$ 336	$ 250	$ 56	$ 46	$ 23
Interest cost on projected benefit obligations	248	300	337	33	42	52
Expected return on plans' assets	(843)	(770)	(710)	(27)	(28)	(27)
Amortization of actuarial losses	317	255	132	29	21	22
Amortization of prior service cost (credits)	1	1	1	(28)	(28)	(32)
Total net cost	$ 114	$ 122	$ 10	$ 63	$ 53	$ 38

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 gains of $1.141 billion for defined benefit plans and a gain of $45 million for medical and dental plans in 2021; net actuarial losses of $611 million for defined benefit plans and a gain of $23 million for medical and dental plans in 2020, and net actuarial losses of $944 million for defined benefit plans and a loss of $190 million for medical and dental plans in 2019. The net actuarial gains in 2021 are primarily due to the favorable impact of actual asset returns in excess of expected returns and the year-over-year increase in discount rates. The net actuarial losses in 2020 are primarily due to the year-over-year decline in discount rates partially offset by the impact of actual asset returns in excess of expected returns.

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

	2021	2020	2019
Discount rate	2.7%	2.3%	3.0%
Expected aggregate average long-term change in compensation	4.3%	4.3%	4.3%

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

	2021	2020	2019
Discount rate	2.3%	3.0%	4.0%
Expected return on plan assets	7.5%	7.5%	7.5%
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:

	2021	2020	2019
Health care cost trend rate assumed for the next year	7%	8%	9%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2026	2025	2025

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

		Basis of Fair Value Measurement			
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at NAV (j)
December 31, 2021:					
Equities:					
U.S. large cap (a)	$ 3,664	$2,403	$ –	$ –	$1,261
U.S. mid and small cap (b)	936	876	–	4	56
International (c)	2,902	591	–	–	2,311
Fixed income securities:					
U.S. government securities (d)	366	21	325	–	20
Corporate debt instruments (e)	1,709	434	1,260	–	15
Non-U.S. government securities (f)	626	33	1	–	592
Other (g)	510	87	111	–	312
Absolute return funds (h)	1,934	476	–	–	1,458
Cash and Cash Equivalents	266	35	–	–	231
Other (i)	925	2	–	–	923
	$13,838	$4,958	$1,697	$ 4	$7,179
December 31, 2020:					
Equities:					
U.S. large cap (a)	$ 3,410	$2,202	$ –	$ –	$1,208
U.S. mid and small cap (b)	775	721	–	3	51
International (c)	2,654	542	–	–	2,112
Fixed income securities:					
U.S. government securities (d)	475	23	289	–	163
Corporate debt instruments (e)	1,408	425	908	–	75
Non-U.S. government securities (f)	523	16	–	–	507
Other (g)	503	159	72	–	272
Absolute return funds (h)	1,618	462	–	–	1,156
Cash and Cash Equivalents	281	19	–	–	262
Other (i)	724	9	–	–	715
	$12,371	$4,578	$1,269	$ 3	$6,521

(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, Canada, Japan and Eurozone government bonds.

(g) Primarily asset backed securities, bank loans and actively managed, diversified fixed income vehicles benchmarked to Libor.

(h) Primarily hedge funds and 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 private funds, such as private equity, private credit, private real estate and private energy funds.

(j) Investments measured at fair value using the net asset value (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 week or month, with a required 2 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, 2021 and 2020. Fixed income securities in a common collective trust or a registered investment company are valued at the NAV provided by the fund administrator. 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.

Absolute return funds 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, 2021 and 2020. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 90 days. For approximately $290 million and $150 million of the absolute return funds, redemptions are subject to a 33 percent gate and a 25 percent gate, respectively, and $50 million is subject to a lock until 2022. Investments in the private funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2022 to 2031. Abbott's unfunded commitment in these funds was $585 million and $523 million as of December 31, 2021 and 2020, 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 $418 million in 2021 and $400 million in 2020 to defined pension plans. Abbott expects to contribute approximately $415 million to its pension plans in 2022.

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
2022	$ 350	$ 75
2023	365	75
2024	387	77
2025	408	78
2026	429	79
2027 to 2031	2,485	410

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $181 million in 2021, $164 million in 2020 and $158 million in 2019.

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.

In 2021, taxes on earnings from continuing operations include approximately $145 million in excess tax benefits associated with share-based compensation and approximately $55 million of net tax benefits as a result of the resolution of various tax positions related to prior years.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax liability associated with the 2017 TCJA. The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion. 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. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2021, the remaining balance of Abbott's transition tax obligation is approximately $794 million, which will be paid over the next five years as allowed by the TCJA. Earnings from discontinued operations, net of tax, in 2020 reflect the recognition of $24 million of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. In 2019, taxes on earnings from continuing operations included approximately $100 million in excess tax benefits associated with share-based compensation, an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. 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 its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled. 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)	2021	2020	2019
Earnings From Continuing Operations Before Taxes:			
Domestic	$3,264	$1,588	$ 889
Foreign	4,947	3,380	3,188
Total	$8,211	$4,968	$4,077

(in millions)	2021	2020	2019
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 859	$ 39	$ 291
Foreign	790	566	590
Total current	1,649	605	881
Deferred:			
Domestic	(355)	(18)	(305)
Foreign	(154)	(90)	(186)
Total deferred	(509)	(108)	(491)
Total	$1,140	$ 497	$ 390

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

	2021	2020	2019
Statutory tax rate on earnings from continuing operations	21.0%	21.0%	21.0%
Impact of foreign operations	(3.9)	(3.3)	(5.0)
Impact of TCJA and other related items	–	0.5	(2.1)
Foreign-derived intangible income benefit	(1.1)	(1.0)	(2.0)
Domestic impairment loss	(0.1)	(2.7)	–
Excess tax benefits related to stock compensation	(1.7)	(1.9)	(2.5)
Research tax credit	(0.6)	(1.0)	(1.2)
Resolution of certain tax positions pertaining to prior years	(0.7)	(2.8)	–
Intercompany restructurings and integration	0.1	0.5	–
State taxes, net of federal benefit	0.4	0.5	0.8
All other, net	0.5	0.2	0.6
Effective tax rate on earnings from continuing operations	13.9%	10.0%	9.6%

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, Singapore, and Malta.

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

(in millions)	2021	2020
Deferred tax assets:		
Compensation and employee benefits	$ 618	$ 1,003
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,425	2,483
Trade receivable reserves	206	196
Inventory reserves	169	146
Lease liabilities	273	259
Deferred intercompany profit	261	254
Total deferred tax assets before valuation allowance	3,952	4,341
Valuation allowance	(1,180)	(1,160)
Total deferred tax assets	2,772	3,181
Deferred tax liabilities:		
Depreciation	(330)	(297)
Right of Use lease assets	(264)	(251)
Other, primarily the excess of book basis over tax basis of intangible assets	(2,364)	(2,876)
Total deferred tax liabilities	(2,958)	(3,424)
Total net deferred tax assets (liabilities)	$ (186)	$ (243)

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 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)	2021	2020
January 1	$1,210	$1,175
Increase due to current year tax positions	143	190
Increase due to prior year tax positions	748	97
Decrease due to prior year tax positions	(119)	(144)
Settlements	(35)	(27)
Lapse of statute	(39)	(81)
December 31	$1,908	$1,210

The 2021 increase due to prior year tax positions includes approximately $714 million of international tax positions for which a deferred tax asset has not been recorded because recognition of the future benefit is not expected.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.12 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $50 million to $60 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.

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, Rapid Diagnostics, Molecular Diagnostics and Point of Care divisions are aggregated and reported as the Diagnostic Products segment.

Medical Devices — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart, neuromodulation and diabetes care products. For segment reporting purposes, the Cardiac Rhythm Management, Electrophysiology and Heart Failure, Vascular, Neuromodulation, Structural Heart and Diabetes Care divisions are aggregated and reported as the Medical Devices segment.

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.

	Net Sales to External Customers (a)			Operating Earnings (a)		
(in millions)	2021	2020	2019	2021	2020	2019
Established Pharmaceutical Products	$ 4,718	$ 4,303	$ 4,486	$ 889	$ 794	$ 904
Nutritional Products	8,294	7,647	7,409	1,763	1,751	1,705
Diagnostic Products	15,644	10,805	7,713	6,256	3,725	1,912
Medical Devices	14,367	11,787	12,239	4,514	3,038	3,769
Total Reportable Segments	43,023	34,542	31,487	$13,422	$9,308	$8,290
Other	52	66	57			
Total	$43,075	$34,608	$31,904			

(a) In 2021, the impact of foreign exchange favorably impacted net sales and unfavorably impacted operating earnings. In 2020 and 2019, the impact of foreign exchange unfavorably impacted net sales and operating earnings.

(in millions)	2021	2020	2019
Total Reportable Segment Operating Earnings	$13,422	$ 9,308	$ 8,290
Corporate functions and benefit plan costs	(801)	(518)	(468)
Net interest expense	(490)	(500)	(576)
Loss on extinguishment of debt	—	—	(63)
Share-based compensation	(640)	(546)	(519)
Amortization of intangible assets	(2,047)	(2,132)	(1,936)
Other, net (b)	(1,233)	(644)	(651)
Earnings from Continuing Operations Before Taxes	$ 8,211	$ 4,968	$ 4,077

(b) Other, net includes integration costs associated with the acquisition of St. Jude Medical and Alere and restructuring charges in 2021, 2020 and 2019. 2021 restructuring charges include Abbott's restructuring plan for its COVID-19 test manufacturing network. Other, net for 2021 also includes costs related to certain litigation. Other, net in 2020 also includes costs related to asset impairments, partially offset by income from the settlement of litigation. Charges for restructuring actions and other cost reduction initiatives were approximately $375 million in 2021, $125 million in 2020 and $215 million in 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Depreciation			Additions to Property and Equipment			Total Assets		
(in millions)	2021	2020	2019	2021	2020	2019	2021	2020	2019
Established Pharmaceuticals	$ 94	$ 88	$ 98	$ 169	$ 109	$ 109	$ 2,789	$ 2,888	$ 2,858
Nutritionals	151	143	139	174	201	141	3,425	3,478	3,274
Diagnostics	760	488	403	980	1,263	726	7,699	7,696	5,235
Medical Devices	285	281	266	348	402	532	7,261	6,893	6,640
Total Reportable Segments	1,290	1,000	906	1,671	1,975	1,508	$21,174	$20,955	$18,007
Other	201	195	172	201	218	160			
Total	$1,491	$1,195	$1,078	$1,872	$2,193	$1,668			

(in millions)	2021	2020
Total Reportable Segment Assets	$21,174	$20,955
Cash and investments	11,065	7,969
Goodwill and intangible assets	35,970	38,528
All other (c)	6,987	5,096
Total Assets	$75,196	$72,548

(c) All other includes the long-term assets associated with the defined benefit plans of $2.27 billion in 2021 and $824 million in 2020.

	Net Sales to External Customers (d)		
(in millions)	2021	2020	2019
United States	$16,642	$13,022	$11,398
Germany	2,572	2,108	1,751
China	2,392	1,965	2,346
Japan	1,695	1,386	1,435
India	1,561	1,323	1,397
Canada	1,385	841	573
Switzerland	1,313	1,140	1,068
All Other Countries	15,515	12,823	11,936
Consolidated	$43,075	$34,608	$31,904

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

Long-lived assets on a geographic basis primarily include property and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2021 and 2020, long-lived assets totaled $13.1 billion and $11.7 billion, respectively, and in the United States such assets totaled $6.8 billion and $6.1 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

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, 2021. 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. Based on our assessment, we believe that, as of December 31, 2021, 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 64.

Robert B. Ford
Chairman of the Board and Chief Executive Officer

Robert E. Funck, Jr.
Executive Vice President, Finance and Chief Financial Officer

Philip P. Boudreau
Vice President, Finance and Controller

February 18, 2022

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, 2021 and 2020, 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, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 18, 2022 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 included 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.

CRITICAL AUDIT MATTER

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income taxes – Unrecognized tax benefits

Description of the Matter

As described in Note 14 to the consolidated financial statements, unrecognized tax benefits were approximately $1.9 billion at December 31, 2021. Unrecognized tax benefits are assessed by management quarterly for identification and measurement, or more frequently if there are any indicators suggesting change in unrecognized tax benefits. Assessing tax positions involves judgement including interpreting tax laws of multiple jurisdictions and assumptions relevant to the measurement of an unrecognized tax benefit, including the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority. These judgements and assumptions can significantly affect unrecognized tax benefits.

How We Addressed the Matter in our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of unrecognized tax benefits, as well as its process for the assessment of events that may indicate a change in unrecognized tax benefits is warranted. For example, we tested controls over management's review of the completeness of identified unrecognized tax benefits, as well as controls over management's review of significant assumptions used within the measurement of unrecognized tax benefits.

With the support of our tax professionals, among other audit procedures performed, we evaluated the reasonableness of management's judgement with respect to the interpretation of tax laws of multiple jurisdictions by reading and evaluating management's documentation, including relevant accounting policies, and by considering how tax law, including statutes, regulations and case law, affected management's judgments. We tested the completeness of management's assessment of the identification of unrecognized tax benefits and possible outcomes related to it including evaluation of technical merits of the unrecognized tax benefits. We also tested, with the support of our valuation specialists, appropriateness and consistency of management's methods and significant assumptions associated with the measurement of unrecognized tax benefits, including assessing the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority.

/s/ Ernst & Young LLP

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

Chicago, Illinois
February 18, 2022

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, 2021, 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, 2021, based on the COSO criteria.

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, 2021 and 2020, 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, 2021, and the related notes and our report dated February 18, 2022 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 18, 2022

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

MARKET PRICE SENSITIVE INVESTMENTS

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $11 million and $20 million as of December 31, 2021 and 2020, respectively. These 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, 2021 by approximately $2 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $391 million and $366 million as of December 31, 2021 and 2020, respectively. Changes in the fair value of these investments, as well as an offsetting change in the benefit obligation, are recorded in earnings.

NON-PUBLICLY TRADED EQUITY SECURITIES

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $90 million and $113 million as of December 31, 2021 and 2020, respectively. No individual investment is recorded at a value in excess of $15 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS

At December 31, 2021 and 2020, Abbott had interest rate hedge contracts totaling $2.9 billion 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, 2021 and 2020 amounted to $21.2 billion and $22.8 billion, respectively (average interest rates of 3.4% and 3.3% as of December 31, 2021 and 2020, respectively) with maturities through 2046. At December 31, 2021 and 2020, the fair value of current and long-term investment securities amounted to approximately $1.3 billion and $1.1 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.

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, 2021 and 2020, Abbott held $8.6 billion and $8.1 billion, respectively, of such contracts. Contracts held at December 31, 2021 will mature in 2022 or 2023 depending upon the contract. Contracts held at December 31, 2020 matured in 2021 or will mature in 2022 depending upon the contract.

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, 2021 and 2020, Abbott held $12.2 billion and $11.0 billion, respectively, of such contracts, which mature in the next 13 months.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. The proceeds equated to approximately $550 million. The value of this long-term debt was approximately $521 million and $577 million as of December 31, 2021 and December 31, 2020, respectively. The change in the value of the debt, which is due to changes in foreign exchange rates, was recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2021 and 2020:

	2021			2020		
(dollars in millions)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Primarily U.S. dollars to be exchanged for the following currencies:						
Euro	$ 8,698	1.1360	$ 90	$ 7,781	1.1821	$ (91)
Chinese Yuan	2,148	6.5744	(35)	2,401	6.4900	(99)
Japanese Yen	1,497	111.7260	31	1,589	105.3861	(20)
All other currencies	8,426	n/a	109	7,369	n/a	(198)
Total	$20,769		$195	$19,140		$(408)

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 the measurement of net sales and costs is impacted by foreign currency translation. Abbott's primary products are medical devices, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 61 percent of consolidated net sales.

In 2020 and 2021, the coronavirus (COVID-19) pandemic affected Abbott's diversified health care businesses in various ways. As is further described below, some businesses have performed at the levels required to successfully meet new demands, others have faced challenges during periods when the number of COVID-19 cases significantly increased, and still others have been relatively less impacted by the pandemic.

Abbott's Diagnostics segment experienced the most significant change in sales from 2019 to 2021 as a result of the COVID-19 pandemic. In 2020 and 2021, Abbott mobilized its teams across multiple fronts to develop and launch various new diagnostic tests for COVID-19.

In March 2020, Rapid Diagnostics launched a molecular test to detect COVID-19 on its ID NOW® rapid point-of-care platform in the U.S. pursuant to an Emergency Use Authorization (EUA). In August 2020, Abbott launched its BinaxNOW® COVID-19 Ag Card test, a portable, lateral flow rapid test to detect COVID-19 pursuant to an EUA in the U.S. In December 2020, Abbott received an EUA in the U.S. for virtually guided at-home use of its BinaxNOW COVID-19 Ag Card rapid test and launched the product for at-home use. In March 2021, Abbott announced that it had received an EUA in the U.S. for its over-the-counter, non-prescription BinaxNOW COVID-19 Ag Self Test for individuals with or without symptoms. In the first quarter of 2021, Abbott also received EUAs in the U.S. that allow the non-prescription use of the BinaxNOW COVID-19 Ag Card Home Test and the BinaxNOW COVID-19 Ag Card test for professional use for individuals with or without symptoms.

Outside the U.S., in September 2020, Rapid Diagnostics launched its Panbio® rapid antigen test to detect COVID-19 pursuant to a CE Mark. In October 2020, Abbott received approval by the World Health Organization for emergency use listing for the Panbio antigen test. In January 2021, Abbott received CE Mark for two new uses of its Panbio rapid antigen test: asymptomatic testing and self-swabbing under the supervision of a healthcare worker. In June 2021, Abbott announced that it had received CE Mark for its over-the-counter Panbio COVID-19 Antigen Self-Test for individuals with or without symptoms.

In 2020, Molecular Diagnostics developed and launched molecular tests to detect COVID-19 using polymerase chain reaction (PCR) methods on its m2000® RealTi*me*™ lab-based platform and its Alinity® m system pursuant to EUAs in the U.S. and CE Marks. Molecular Diagnostics also developed and launched its multiplex molecular test on its Alinity m system to detect COVID-19, influenza A, influenza B, and respiratory syncytial virus (RSV) in one test. This multiplex molecular test was launched pursuant to a CE Mark in December 2020 and an EUA in the U.S. in March 2021.

In 2020 and 2021, Core Laboratory Diagnostics developed and launched various lab-based serology blood tests on its ARCHITECT® i1000SR® and ARCHITECT i2000SR® laboratory instruments and on its Alinity i system for the detection of an antibody to determine if someone was previously infected with the virus. The tests were launched under EUAs in the U.S. and CE Marks.

In 2020 and 2021, Abbott's COVID-19 testing-related sales totaled approximately $3.9 billion and $7.7 billion, respectively, led by sales related to Abbott's BinaxNOW, Panbio and ID NOW rapid testing platforms. 2021 volumes were affected by fluctuations in the number of COVID-19 cases, especially in the U.S., over the course of the year. In the second quarter of 2021, demand for COVID-19 tests decreased from the previous quarter as COVID-19 vaccines were administered, COVID-19 cases and hospitalizations declined, and the U.S. health authority updated its guidance on testing for fully vaccinated individuals. However, in the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased, demand for rapid COVID-19 tests increased significantly.

With respect to other products sold by the Diagnostics segment, demand for routine diagnostic testing generally fluctuated as the number of COVID-19 cases changed in various geographic regions throughout the two-year period. In 2020, in addition to negatively impacting routine core diagnostic testing volumes, the pandemic negatively affected the number of cardiovascular and neuromodulation procedures performed by health care providers globally, thereby reducing the demand for Abbott's cardiovascular and neuromodulation devices and routine diagnostic tests. The decrease began in February 2020 in China as that country implemented quarantine restrictions and postponed non-emergency health care activities. The negative impact on cardiovascular and neuromodulation procedures and routine diagnostic tests expanded to other countries and geographic regions as COVID-19 spread geographically in the first half of 2020 and health care systems in these countries shifted their focus to fighting COVID-19.

The extent of the impact and the timing of a recovery in the number of procedures and routine testing in a particular country or geographic region depended upon the progression of COVID-19 cases in that country or region as well as the actions taken by the government in that country related to COVID-19. In 2020, the recovery in procedures and routine testing volumes in China began in March 2020. In other parts of the world, such as the U.S. and Europe, volumes improved across Abbott's hospital-based businesses as the second quarter progressed and the improvement continued in the third quarter. However, in the fourth quarter of 2020, the improving trends in the demand for procedures and routine testing flattened or were negatively impacted depending upon the business and the region as many countries, including the U.S., experienced an increase in the number of COVID-19 cases and hospitalizations.

While routine diagnostic testing and cardiovascular and neuromodulation procedure volumes were negatively impacted early in 2021 by elevated COVID-19 case rates, overall volumes improved over the course of the year until the latter part of 2021 when demand softened in several geographies with the emergence of another variant.

FINANCIAL REVIEW

While Abbott's branded generic pharmaceuticals business was also negatively affected by the pandemic in 2020 as COVID-19 spread across emerging market countries in the second and third quarters of 2020, volumes recovered and grew in 2021. Abbott's nutritional and diabetes care businesses were the least affected by the pandemic as is further discussed below.

Abbott is continually monitoring the effects of the pandemic on its operations. Throughout the pandemic, Abbott has continued to ensure that its operations throughout the world are aligned with the specific governmental orders and guidelines affecting each location. Abbott has taken aggressive steps to limit exposure to COVID-19 and enhance the safety of facilities for its employees.

The demand for COVID-19 tests has been highly volatile. Abbott expects this volatility to continue as the possible emergence and severity of new variants are unpredictable. Due to the unpredictability of the duration and impact of the COVID-19 pandemic, the extent to which the pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain.

While Abbott's 2021 and 2020 sales were most significantly affected by the COVID-19 pandemic, the increase in total sales over the last three years also reflects the introduction of new products across various businesses as well as higher sales of various existing products. Sales in emerging markets, which represent approximately 35 percent of total company sales, increased 19.6 percent in 2021 and 2.0 percent in 2020, 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 as a percentage of sales increased from 14.2 percent in 2019 to 15.5 percent in 2020 and 19.6 percent in 2021. The increase in 2021 from 2020 reflects the impact of sales volume increases for COVID-19 tests in Rapid Diagnostics and growth across virtually all of Abbott's businesses due, in part, to recovery from the COVID-19 pandemic, partially offset by the impact of inflation and supply chain challenges on various manufacturing inputs and transportation costs, an increase in restructuring costs, and the unfavorable effect of foreign exchange. The increase in 2020 reflects the sales volume increases in the rapid and molecular diagnostics businesses, partially offset by lower Medical Devices sales due to the impact of the pandemic and the unfavorable effect of foreign exchange. In addition, a reduction in the costs associated with business acquisitions and restructuring activities drove an improvement in operating margins from 2019 to 2020.

In 2021, Abbott experienced availability issues with some services and materials used in its products. To date, Abbott has been able to manage the various supply chain challenges without significant supply disruption or shortage for services, raw materials and supplies. While Abbott expects inflationary pressures on various raw materials, packaging materials and transportation costs to continue in 2022, the impact of such cost increases is expected to be at least partially mitigated by price increases in certain businesses and the impact of continued gross margin improvement initiatives. To the extent that supply chain challenges in the industries in which Abbott operates normalize over time, this may lessen inflationary pressures.

With respect to the performance of each reportable segment over the last three years, sales in the Medical Devices segment, excluding the impact of foreign exchange, increased 19.4 percent in 2021 and decreased 3.8 percent in 2020. The sales increase in 2021 was driven by double-digit growth across all of Abbott's Medical Devices divisions, led by Diabetes Care, Structural Heart and Electrophysiology. The sales decrease in 2020 was driven by Abbott's cardiovascular and neuromodulation businesses due primarily to reduced procedure volumes as a result of the COVID-19 pandemic. These decreases were partially offset by double-digit growth in Diabetes Care.

In 2021, operating earnings for the Medical Devices segment increased 48.6 percent. The operating margin profile increased from 30.8 percent of sales in 2019 to 31.4 percent in 2021 primarily due to higher sales volumes in Diabetes Care and Abbott's cardiovascular and neuromodulation businesses. This growth was partially offset by pricing pressures on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

In 2021, key product approvals in the Medical Devices segment included:

- CE Mark in Europe for Navitor™, Abbott's latest-generation transcatheter aortic valve implantation (TAVI) system for patients with severe aortic stenosis who are at high or extreme surgical risk,
- U.S. Food and Drug Administration (FDA) approval of the Amplatzer® Amulet® Left Atrial Appendage Occluder, which offers immediate closure of the left atrial appendage, an area in the heart where blood clots can form,
- FDA approval of the Portico® with FlexNav® TAVI system to treat people with symptomatic, severe aortic stenosis who are at high or extreme risk for open heart surgery, and
- FDA approval of the Amplatzer Talisman™ PFO Occlusion System to treat people with a patent foramen ovale – a small opening between the upper chambers of the heart – who are at risk of recurrent ischemic stroke.

In Abbott's worldwide diagnostics business, sales increased 42.7 percent in 2021 and 40.6 percent in 2020, excluding the impact of foreign exchange. As was discussed above, sales growth in 2021 was driven by demand for Abbott's portfolio of rapid diagnostics tests for COVID-19 and higher routine diagnostics testing in the core laboratory business, partially offset by lower demand for Abbott's laboratory-based tests for COVID-19 in the molecular diagnostics business. Growth in 2020 was driven by demand for Abbott's portfolio of COVID-19 diagnostics tests across its rapid and lab-based platforms, partially offset by lower volumes of routine laboratory testing due to the pandemic.

Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments and has continued to build out its test menu for clinical chemistry and immunoassay diagnostics. Abbott has obtained regulatory approval for the "Alinity h" instrument for hematology in Europe and Japan. Abbott has also obtained regulatory approvals in the U.S., Europe and other markets for the "Alinity s" (blood screening) and "Alinity m" (molecular) instruments and several testing assays.

FINANCIAL REVIEW

In 2021, operating earnings for the Diagnostics segment increased 68.0 percent. The operating margin profile increased from 24.8 percent of sales in 2019 to 40.0 percent in 2021 primarily due to higher sales in Rapid Diagnostics in 2020 and 2021 and increased routine diagnostics testing in 2021 in Core Laboratory Diagnostics.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by numerous new product introductions, including the roll-outs of human milk oligosaccharide, or HMO, in infant formula, that leveraged Abbott's strong brands. Sales over the last two years were also positively impacted by consumers' interest in nutrients that help support their immune systems. Excluding the impact of foreign exchange, total adult nutrition sales increased 12.8 percent in 2021 and 10.3 percent in 2020, led by the continued growth of Ensure®, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand, across several countries. Excluding the impact of foreign exchange, total pediatric nutrition sales increased 3.3 percent in 2021 and 0.3 percent in 2020 driven by the Pedialyte®, PediaSure® and Similac® brands in the U.S. as well as infant and toddler product growth across several international markets, partially offset by challenging market dynamics in the infant category in Greater China. Operating margins for the worldwide nutritional products business decreased from 23.0 percent in 2019 to 21.3 percent in 2021. The decrease was driven by higher manufacturing and distribution costs, including commodity prices, partially offset by the impact of gross margin improvement initiatives.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 10.4 percent in 2021 and 1.9 percent in 2020. The sales increases in 2021 and 2020 reflect higher sales in several geographies including India, China, Brazil and Russia. Operating margins decreased from 20.1 percent of sales in 2019 to 18.8 percent in 2021 primarily due to the unfavorable impact of foreign exchange, higher product costs and product mix, partially offset by the impact of gross margin improvement initiatives.

With respect to Abbott's financial position, at December 31, 2021, Abbott's cash and cash equivalents and short-term investments total approximately $10.2 billion compared to $7.1 billion at December 31, 2020. Abbott's long-term debt and short-term borrowings total $18.1 billion and $18.7 billion at December 31, 2021 and 2020, respectively.

Abbott declared dividends of $1.82 per share in 2021 compared to $1.53 per share in 2020, an increase of approximately 19 percent. Dividends paid totaled $3.202 billion in 2021 compared to $2.560 billion in 2020. The year-over-year change in the amount of dividends paid primarily reflects the increase in the dividend rate. In December 2021, Abbott increased the company's quarterly dividend by 4.4 percent to $0.47 per share from $0.45 per share, effective with the dividend paid in February 2022. In December 2020, Abbott increased the company's quarterly dividend by 25 percent to $0.45 per share from $0.36 per share, effective with the dividend paid in February 2021.

In 2022, Abbott will focus on continuing to meet the demand for COVID-19 tests and will continue to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the Medical Devices segment, Abbott will focus on expanding its market position across the various businesses. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of line extensions of its science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth of its portfolio in emerging markets.

CRITICAL ACCOUNTING POLICIES

Sales Rebates — In 2021, approximately 45 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 2021 are in the Nutritional Products and Diabetes Care businesses. 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 2021, 2020 and 2019 amounted to approximately $3.9 billion, $3.3 billion and $3.1 billion, respectively, or 17.5 percent, 20.1 percent and 19.1 percent of gross sales, respectively, based on gross sales of approximately $22.3 billion, $16.6 billion and $16.3 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 $223 million in 2021. 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 $268 million, $207 million and $169 million for cash discounts in 2021, 2020 and 2019, respectively, and $211 million, $232 million and $192 million for returns in 2021, 2020 and 2019, 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.

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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 accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2021, Abbott had WIC business in 36 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 2016 are settled. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. 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 its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and 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. The impact of higher interest rates and improved asset returns during 2021 significantly decreased the net actuarial losses for these plans. At December 31, 2021, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) were net losses of $3.1 billion for Abbott's defined benefit plans and net losses of $373 million for Abbott's medical and dental plans. 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.

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, 2021, goodwill amounted to $23.2 billion and net intangibles amounted to $12.7 billion. Amortization expense in continuing operations for intangible assets amounted to $2.0 billion in 2021, $2.1 billion in 2020 and $1.9 billion in 2019. There was no reduction of goodwill relating to impairments in 2021, 2020 and 2019.

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Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. 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 $30 million to $45 million for its legal proceedings and environmental exposures. Accruals of approximately $40 million have been recorded at December 31, 2021 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:

	Total % Change	Components of % Change		
		Price	Volume	Exchange
Total Net Sales				
2021 vs. 2020	24.5	(1.5)	24.4	1.6
2020 vs. 2019	8.5	(0.4)	10.2	(1.3)
Total U.S.				
2021 vs. 2020	27.8	(1.9)	29.7	—
2020 vs. 2019	14.2	(1.1)	15.3	—
Total International				
2021 vs. 2020	22.5	(1.3)	21.2	2.6
2020 vs. 2019	5.3	0.1	7.2	(2.0)
Established Pharmaceutical Products Segment				
2021 vs. 2020	9.6	4.2	6.2	(0.8)
2020 vs. 2019	(4.1)	2.7	(0.8)	(6.0)
Nutritional Products Segment				
2021 vs. 2020	8.5	1.0	6.7	0.8
2020 vs. 2019	3.2	0.8	3.9	(1.5)
Diagnostic Products Segment				
2021 vs. 2020	44.8	(6.2)	48.9	2.1
2020 vs. 2019	40.1	(0.8)	41.4	(0.5)
Medical Devices Segment				
2021 vs. 2020	21.9	(0.9)	20.3	2.5
2020 vs. 2019	(3.7)	(1.9)	(1.9)	0.1

The increase in Total Net Sales in 2021 reflects volume growth across all of Abbott's segments. In 2021, Abbott's COVID-19 testing-related sales totaled approximately $7.7 billion led by combined sales of approximately $6.6 billion related to Abbott's BinaxNOW, Panbio, and ID NOW rapid testing platforms. In 2021, excluding the impact of COVID-19 testing-related sales, Abbott's total net sales increased 15.2 percent. Excluding the impacts of COVID-19 testing-related sales and foreign exchange, Abbott's total net sales in 2021 increased 13.7 percent. The price decline related to the Diagnostic Products segment in 2021 primarily reflects lower pricing for COVID-19 tests. The increase in Total Net Sales in 2020 reflects volume growth in the Diagnostics and Nutritional Products segments. In 2020, COVID-19 testing-related sales totaled approximately $3.9 billion. In Medical Devices, the 2020 impact of COVID-19 on Abbott's cardiovascular and neuromodulation businesses was partially offset by double-digit volume growth in Diabetes Care. The price declines related to the Medical Devices segment in 2021 and 2020 primarily reflect DES pricing pressures 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.

(dollars in millions)	2021	2020	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,539	$3,209	10%	(2)%	12%
Other	1,179	1,094	8	2	6
Nutritionals —					
International Pediatric Nutritionals	2,106	2,140	(2)	1	(3)
U.S. Pediatric Nutritionals	2,192	1,987	10	—	10
International Adult Nutritionals	2,632	2,228	18	1	17
U.S. Adult Nutritionals	1,364	1,292	6	—	6
Diagnostics —					
Core Laboratory	5,128	4,475	15	3	12
Molecular	1,427	1,438	(1)	2	(3)
Point of Care	536	516	4	1	3
Rapid Diagnostics	8,553	4,376	95	2	93
Medical Devices —					
Rhythm Management	2,198	1,914	15	2	13
Electrophysiology	1,907	1,578	21	2	19
Heart Failure	889	740	20	1	19
Vascular	2,654	2,339	14	3	11
Structural Heart	1,610	1,247	29	2	27
Neuromodulation	781	702	11	1	10
Diabetes Care	4,328	3,267	33	4	29

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(dollars in millions)	2020	2019	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,209	$3,392	(5)%	(8)%	3%
Other	1,094	1,094	—	1	(1)
Nutritionals —					
International Pediatric Nutritionals	2,140	2,282	(6)	(2)	(4)
U.S. Pediatric Nutritionals	1,987	1,879	6	—	6
International Adult Nutritionals	2,228	2,017	11	(3)	14
U.S. Adult Nutritionals	1,292	1,231	5	—	5
Diagnostics —					
Core Laboratory	4,475	4,656	(4)	(1)	(3)
Molecular	1,438	442	225	(1)	226
Point of Care	516	561	(8)	—	(8)
Rapid Diagnostics	4,376	2,054	113	1	112
Medical Devices —					
Rhythm Management	1,914	2,144	(11)	—	(11)
Electrophysiology	1,578	1,721	(8)	1	(9)
Heart Failure	740	769	(4)	—	(4)
Vascular	2,339	2,850	(18)	—	(18)
Structural Heart	1,247	1,400	(11)	—	(11)
Neuromodulation	702	831	(16)	—	(16)
Diabetes Care	3,267	2,524	29	—	29

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 10.4 percent in 2021 and 1.9 percent in 2020, 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 2021 and 2.6 percent in 2020 due to higher sales in several geographies including India, China, Russia and Brazil. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 6.0 percent in 2021 and decreased 0.5 percent in 2020.

Total Nutritional Products sales increased 7.7 percent in 2021 and 4.7 percent in 2020, excluding the impact of foreign exchange. In 2021, International Pediatric Nutritional sales, excluding the effect of foreign exchange, decreased 3.2 percent as lower sales in China, the Middle East and various countries in Southeast Asia were partially offset by higher volumes sold in various countries in Latin America and Europe. The 4.1 percent decrease in 2020 International Pediatric Nutritional sales, excluding the effect of foreign exchange, was due to challenging market dynamics in the infant category in Greater China that more than offset growth across Abbott's pediatric products in various countries in Southeast Asia. In the U.S. Pediatric Nutritional business, sales increased 10.3 percent in 2021 and 5.8 percent in 2020, reflecting growth in Pedialyte, Similac and PediaSure.

In International Adult Nutritionals, sales increased 17.0 percent and 13.6 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange, due to continued growth of Ensure and Glucerna in several countries. U.S. Adult Nutritional sales increased 5.6 percent in 2021, primarily due to growth of Ensure and Glucerna. In 2020, U.S. Adult Nutritional sales increased 4.9 percent, primarily due to growth of Ensure.

In the Diagnostics segment, Core Laboratory Diagnostics sales increased 12.4 percent in 2021 and decreased 2.8 percent in 2020, excluding the effect of foreign exchange. In 2021, growth was driven by increased volume of routine diagnostic testing performed in hospitals and other laboratories, partially offset by lower sales of Abbott's laboratory-based tests for the detection of the IgG and IgM antibodies, which determine if someone was previously infected with the COVID-19 virus. In 2020, the decrease was due to the lower volume of routine testing performed in hospital and other laboratories due to COVID-19, partially offset by sales of Abbott's COVID-19 laboratory-based tests for the detection of the IgG and IgM antibodies. Core Laboratory Diagnostics COVID-19 testing-related sales on Abbott's ARCHITECT and Alinity i platforms were $204 million and $262 million in 2021 and 2020, respectively. In 2021, Core Laboratory Diagnostics sales increased 16.9 percent, excluding COVID-19 testing-related sales, and increased 14.4 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Molecular Diagnostics, sales decreased 2.9 percent and increased 225.7 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange. In 2021, the decrease was due to lower demand for Abbott's laboratory-based molecular tests for COVID-19 on its m2000 platform, partially offset by growth in the base business from the continued roll-out of the Alinity m platform. In 2020, the increase reflects higher volumes due to demand for Abbott's laboratory-based molecular tests for COVID-19.

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Abbott received U.S. FDA approval in March 2020 for its Alinity m molecular diagnostics system. Molecular Diagnostics COVID-19 testing-related sales were $891 million and $1.0 billion in 2021 and 2020, respectively. In 2021, Molecular Diagnostics sales increased 29.2 percent, excluding COVID-19 testing-related sales, and increased 27.0 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Rapid Diagnostics, sales increased 93.3 percent and 112.3 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange, due to strong demand for Abbott's point-of-care COVID-19 molecular test on its ID NOW platform and its BinaxNOW COVID-19 Ag Card test in the U.S. as well as international demand for COVID-19 rapid tests on its Panbio platform. The sales increase for 2021 also included the recovery of routine diagnostic testing. The sales increase for 2020 also included increased testing in the first quarter for the flu in the U.S., partially offset by the unfavorable impact of COVID-19 on routine diagnostic testing in 2020. Rapid Diagnostics COVID-19 testing-related sales were $6.6 billion and $2.6 billion in 2021 and 2020, respectively. In 2021, Rapid Diagnostics sales increased 10.4 percent, excluding COVID-19 testing-related sales, and increased 9.2 percent, excluding the impact of foreign exchange and COVID-19 testing-related sales.

In Medical Devices, sales increased 19.4 percent and decreased 3.8 percent in 2021 and 2020, respectively, excluding the effect of foreign exchange. In 2021, the increase was driven by double-digit growth across all divisions, led by Diabetes Care, Structural Heart and Electrophysiology. In 2020, double-digit growth in Diabetes Care was more than offset by decreases in Abbott's cardiovascular and neuromodulation businesses due to the impact of COVID-19 and lower vascular sales in China in the fourth quarter of 2020 as a result of a new national tender program.

The 2021 and 2020 growth in Diabetes Care revenue was driven by continued growth of FreeStyle Libre, Abbott's continuous glucose monitoring system, internationally and in the U.S. In 2021, FreeStyle Libre sales totaled $3.7 billion, which reflected a 36.8 percent increase over 2020, excluding the effect of foreign exchange. FreeStyle Libre sales in 2020 were $2.6 billion, which reflected a 42.6 percent increase, excluding the effect of foreign exchange, over 2019 when sales totaled $1.8 billion.

While procedure volumes across Abbott's cardiovascular and neuromodulation businesses were negatively impacted early in 2021 by elevated COVID-19 case rates in certain countries, including the U.S., overall volumes improved over the course of 2021 across various businesses. The year-over-year increases in the various businesses reflect a recovery from the 2020 levels when the pandemic reduced procedure volumes as well as sales growth from pre-pandemic levels in Structural Heart, Electrophysiology, and Heart Failure, excluding the effect of foreign exchange. In January 2021, the U.S. Centers for Medicare & Medicaid Services expanded reimbursement coverage eligibility for MitraClip®, Abbott's market-leading device for the minimally invasive treatment of mitral regurgitation (MR), a leaky heart valve. The growth in Structural Heart during 2021 was broad-based across several areas of the business, including MitraClip and TriClip®, the world's first minimally invasive, clip-based device for repair of a leaky tricuspid heart valve which was launched in Europe in May 2020.

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 2021, 2020 and 2019.

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.

OPERATING EARNINGS

Gross profit margins were 52.2 percent of net sales in 2021, 50.5 percent in 2020 and 52.5 percent in 2019. In 2021, the increase primarily reflects the effects of higher sales volume, higher manufacturing utilization, and the nonrecurrence of the 2020 impairment of intangible assets, partially offset by increases in various manufacturing costs and the impact of higher restructuring charges. In 2020, the decrease primarily reflects the mix of sales across Abbott's various businesses and operational inefficiencies due to the impact of COVID-19, as well as the increase in intangible asset amortization, the impairment of intangible assets and the unfavorable effect of foreign exchange on gross margin.

Research and development (R&D) expenses were $2.7 billion in 2021, and $2.4 billion in both 2020 and 2019. The increase in 2021 R&D spending was primarily driven by higher spending on various projects to advance products in development. R&D spending in 2020 was relatively flat compared to 2019 as the impact of the immediate expensing in 2019 of an R&D asset valued at $102 million that was acquired in conjunction with the acquisition of Cephea Valve Technologies, Inc. was partially offset by the $55 million impairment of an in-process R&D intangible asset in 2020. R&D expense in 2020 also reflects lower integration and restructuring costs in 2020 related to R&D, partially offset by higher spending on various projects.

Selling, general and administrative (SG&A) expenses increased 16.8 percent in 2021 due primarily to higher selling and marketing spending to drive growth across various businesses and the nonrecurrence of $100 million of income in 2020 from a litigation settlement. The increase in 2021 also includes charges related to certain litigation. SG&A expenses were basically flat in 2020 compared to 2019. In 2020, the favorable effect of foreign exchange, income of approximately $100 million from a litigation settlement in 2020, lower spending due to COVID-19 travel restrictions, and the impact of various cost saving initiatives were offset by higher spending to drive growth in various businesses.

FINANCIAL REVIEW

RESTRUCTURINGS

On May 27, 2021, Abbott management approved a restructuring plan related to its Diagnostic Products segment to align its manufacturing network for COVID-19 diagnostic tests with changes in the second quarter in projected testing demand driven by several factors, including significant reductions in cases in the U.S. and other major developed countries, the accelerated rollout of COVID-19 vaccines globally and the U.S. health authority's updated guidance on testing for fully vaccinated individuals. In the second quarter of 2021, Abbott recorded charges of $499 million under this plan in Cost of products sold. The charge recognized in the second quarter included fixed asset write-downs of $80 million, inventory-related charges of $248 million, and other exit costs, which included contract cancellations and employee-related costs of $171 million.

In the second half of 2021, as the Delta and Omicron variants of COVID-19 spread and the number of new COVID-19 cases increased significantly, particularly in the U.S., demand for rapid COVID-19 tests increased significantly. As a result, in the second half of 2021, Abbott sold approximately $181 million of inventory that was previously estimated to have no net realizable value under the second quarter restructuring action. In addition, the estimate of other exit costs was reduced by a net $58 million as Abbott fulfilled its purchase obligations under certain contracts for which a liability was recorded in the second quarter or Abbott settled with the counterparty in the second half of 2021. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $23 million and primarily represent severance obligations.

From 2017 to 2021, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical, Inc. (St. Jude Medical) into the Medical Devices segment, and Alere Inc. (Alere) into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. As of December 31, 2018, the accrued balance associated with these actions was $41 million. From 2019 to 2021, Abbott recorded employee-related severance and other charges totaling approximately $95 million, comprised of $10 million in 2021, $13 million in 2020, and $72 million in 2019. Approximately $31 million was recorded in Cost of products sold, approximately $5 million was recorded in Research and development, and approximately $59 million was recorded in Selling, general and administrative expense over the last three years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $9 million.

From 2017 to 2020, 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. As of December 31, 2018, the accrued balance associated with these actions was $70 million. From 2019 to 2020, Abbott recorded employee-related severance and other charges totaling approximately $102 million, comprised of $36 million in 2020 and $66 million in 2019. Approximately $22 million was recorded in Cost of products sold, approximately $30 million was recorded in Research and development, and approximately $50 million was recorded in Selling, general and administrative expense over the two years. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $24 million.

In 2021, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the diagnostics, established pharmaceuticals and nutritional businesses. Abbott recorded employee-related severance and other charges of approximately $68 million. Approximately $16 million was recorded in Cost of products sold, approximately $4 million was recorded in Research and development, and approximately $48 million was recorded in Selling, general and administrative expense. As of December 31, 2021, the accrued liabilities remaining in the Consolidated Balance Sheet related to these actions total $61 million and primarily represent severance obligations.

INTEREST EXPENSE AND INTEREST (INCOME)

Interest expense, net decreased $10 million in 2021 due to the reduction of interest expense driven by lower interest rates in 2021. The effects of higher cash and short-term investment balances were more than offset by the impact of lower interest rates on interest income in 2021. In 2020, interest expense, net decreased $76 million due to a reduction in interest expense resulting from the favorable impact of the euro debt financing in November 2019, the repayment of debt in December 2019 and a lower interest rate environment in 2020.

DEBT EXTINGUISHMENT COSTS

On December 19, 2019, Abbott redeemed the $2.850 billion principal amount of its 2.9% Notes due 2021. Abbott incurred a charge of $63 million related to the early repayment of this debt.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net includes income of approximately $270 million, $205 million and $225 million in 2021, 2020 and 2019, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. Other (income) expense, net also includes a gain on the sale of an equity method investment in 2021 and equity investment impairments that totaled approximately $115 million in 2020.

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TAXES ON EARNINGS

The income tax rates on earnings from continuing operations were 13.9 percent in 2021, 10.0 percent in 2020, and 9.6 percent in 2019.

In 2021, taxes on earnings from continuing operations include approximately $145 million in excess tax benefits associated with share-based compensation and approximately $55 million of net tax benefits as a result of the resolution of various tax positions related to prior years.

In 2020, taxes on earnings from continuing operations include the recognition of approximately $170 million of tax benefits associated with the impairment of certain assets, approximately $140 million of net tax benefits as a result of the resolution of various tax positions related to prior years, and approximately $100 million in excess tax benefits associated with share-based compensation. In 2020, taxes on earnings from continuing operations also include a $26 million increase to the transition tax liability associated with the 2017 Tax Cuts and Jobs Act (TCJA). The $26 million increase to the transition tax liability was the result of the resolution of various tax positions related to prior years. This adjustment increased the cumulative net tax expense related to the TCJA to $1.53 billion. As of December 31, 2021, the remaining balance of Abbott's transition tax obligation is approximately $794 million, which will be paid over the next five years as allowed by the TCJA. Earnings from discontinued operations, net of tax, in 2020 reflect the recognition of $24 million of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. In 2019, taxes on earnings from continuing operations included approximately $100 million in excess tax benefits associated with share-based compensation, an $86 million reduction of the transition tax and $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019.

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, Singapore, and Malta. 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.

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 six 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.

FINANCIAL REVIEW

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 Premarket 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 European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which has been governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category, with certain product categories requiring review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to declare conformity to the Directive. Other products only require a self-certification process. In 2017, the EU adopted the new In Vitro Diagnostic Regulation (IVDR) which replaces the existing directive in the EU for in vitro diagnostic products and imposes additional premarket and post-market regulatory requirements on manufacturers of such products. In December 2021, the IVDR was amended to extend the regulation's previous two-year transition period by one to three years, with the transition period extending to May 2027 for certain devices. However, the amendment does not delay the date of application of the IVDR itself which will take effect on May 26, 2022.

In the Medical Devices 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., medical devices are classified as Class I, II, or III. Most of Abbott's medical device 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, medical devices are also categorized into different classes and the regulatory process, which had been governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) which replaced the existing directives in the EU for medical devices and imposes additional premarket and post-market regulatory requirements on manufacturers of such products. The MDR applies to manufacturers as of May 26, 2021 after a four-year transition period. Each product must bear a CE mark to show compliance with the MDR.

Some products require submission of a design dossier to the appropriate regulatory authority for review and approval 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 medical devices, 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 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.

FINANCIAL REVIEW

AREAS OF FOCUS

In 2022 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. 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 Influvac™. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

Medical Devices — Abbott's research and development programs focus on:

- *Cardiac Rhythm Management* – Development of next-generation rhythm management technologies, including advanced communication capabilities and leadless pacing therapies.
- *Heart Failure* – Continued enhancements to Abbott's mechanical circulatory support and pulmonary artery pressure systems, including enhanced clinical performance and usability.
- *Electrophysiology* – Development of next-generation technologies in the areas of ablation, diagnostic, mapping, and visualization and recording.
- *Vascular* – Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- *Structural Heart* – Development of transcatheter and surgical devices for the repair and replacement of heart valves, and occlusion therapies for congenital heart defects and stroke-risk reduction.
- *Neuromodulation* – Development of additional clinical evidence and next-generation technologies leveraging digital health to improve patient and physician engagement to treat chronic pain, movement disorders and other indications.
- *Diabetes Care* – Develop enhancements and additional indications for the FreeStyle Libre platform of continuous glucose monitoring products to help patients improve their ability to manage diabetes and for use beyond diabetes.

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult 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.

Core Laboratory Diagnostics — Abbott continues to commercialize its next-generation blood and plasma screening, immunoassay, clinical chemistry and hematology systems, along with assays, including a focus on unmet medical need, in various areas including infectious disease, cardiac care, metabolics, and oncology, as well as informatics solutions to help optimize diagnostics laboratory performance and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests are in various stages of development and launch.

Rapid Diagnostics — Abbott's research and development programs focus on the development of diagnostic products for infectious disease, cardiometabolic disease and toxicology.

In addition, the Diagnostics segment is pursuing the FDA's customary regulatory process for various COVID-19 tests for which EUAs were obtained.

Given the diversity of Abbott's business, its intention to remain a broad-based health care 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 2021 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 finish 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 medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost 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 targeted at approximately 7 percent of total Abbott sales in 2022. 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, 2021, goodwill recorded as a result of business combinations totaled $23.2 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 REVIEW

FINANCIAL CONDITION

CASH FLOW

Net cash from operating activities amounted to $10.5 billion, $7.9 billion and $6.1 billion in 2021, 2020 and 2019, respectively. The increase in Net cash from operating activities in 2021 was primarily due to the favorable cash flow impact of higher segment operating earnings and improved working capital management partially offset by higher cash taxes paid and the net impact of litigation settlements. The increase in Net cash from operating activities in 2020 was primarily due to the favorable cash flow impact of higher segment operating earnings, lower payments related to interest, integration expenses, and restructuring actions, and the proceeds from a litigation settlement partially offset by an increased investment in working capital and higher income tax payments.

A substantial portion of Abbott's cash and cash equivalents at December 31, 2021, is held by Abbott affiliates outside of the U.S. 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 $418 million in 2021, $400 million in 2020 and $382 million in 2019 to defined benefit pension plans. Abbott expects pension funding of approximately $415 million in 2022 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, 2021, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a Five Year Credit Agreement (Revolving Credit Agreement) that Abbott entered into on November 12, 2020. At that time, Abbott also terminated its 2018 revolving credit agreement. There were no outstanding borrowings under the 2018 revolving credit agreement at the time of its termination. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 12, 2025. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In 2021, Abbott repaid approximately $195 million on a short-term facility upon maturity. After the repayment, Abbott has no short-term debt, and as of December 31, 2021, Abbott's total debt is $18.1 billion.

In 2020, financing activities related to the issuance and repayment of long-term debt included the following:

- On June 24, 2020, Abbott completed the issuance of $1.3 billion aggregate principal amount of senior notes, consisting of $650 million of its 1.15% Notes due 2028 and $650 million of its 1.40% Notes due 2030.
- On September 28, 2020, Abbott repaid the €1.140 billion outstanding principal amount of its 0.00% Notes due 2020 upon maturity. The repayment equated to approximately $1.3 billion.

In 2019, Abbott committed to reducing its debt levels which had increased as part of the acquisitions of St. Jude Medical and Alere in 2017. On February 24, 2019, Abbott redeemed the $500 million outstanding principal amount of its 2.80% Notes due 2020.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization superseded the board's previous authorization under which $700 million had not yet been redeemed. On December 19, 2019, Abbott redeemed the $2.850 billion outstanding principal amount of its 2.90% Notes due 2021. Of the $5 billion authorization, $2.15 billion remains available as of December 31, 2021.

On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €1.180 billion of long-term debt. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott. On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

In total, these 2019 transactions resulted in the repayment of approximately of $1.6 billion of debt, net of borrowings.

In September 2014, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 48.5 million shares at a cost of $2.205 billion from 2015 through 2018, 6.3 million shares at a cost of $525 million in 2019 and 1.6 million shares at a cost of $173 million in 2020 for a total of approximately $2.9 billion. In October 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. In 2021, Abbott repurchased 16.6 million of its common shares for $2.016 billion which fully utilized the authorization remaining under the 2014 share repurchase program and a portion of the 2019 authorization. In December 2021, the board of directors authorized the repurchase of up to $5 billion of Abbott's common shares from time to time. The new authorization is in addition to the $1.081 billion unused portion of the share repurchase program authorized in 2019.

Abbott declared dividends of $1.82 per share in 2021 compared to $1.53 per share in 2020, an increase of approximately 19 percent. Dividends paid were $3.202 billion in 2021 compared to $2.560 billion in 2020. The year-over-year change in dividends paid primarily reflects the impact of the increase in the dividend rate.

FINANCIAL REVIEW

WORKING CAPITAL

Working capital was $11.1 billion at December 31, 2021 and $8.5 billion at December 31, 2020. The increase was due in large part to the higher level of cash and cash equivalents, which was due primarily to the increase in cash generated from operating activities, partially offset by the classification of $750 million of Senior Notes due 2022 as current liabilities at December 31, 2021 and an increase in accounts payable associated with the growth of the business.

Abbott monitors the credit worthiness of customers and establishes an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott considers various factors in establishing, monitoring, and adjusting its allowance for doubtful accounts, including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. Abbott also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances.

CAPITAL EXPENDITURES

Capital expenditures of $1.9 billion in 2021, $2.2 billion in 2020 and $1.6 billion in 2019 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. The 2020 increase in capital expenditures primarily reflects the building of capacity for the manufacture of COVID-19 diagnostics tests.

CONTRACTUAL OBLIGATIONS

Abbott believes that its available cash and cash equivalents along with its ability to generate operating cash flow and continued access to debt markets are sufficient to fund existing and planned cash requirements. Abbott's material cash requirements include the following contractual obligations:

Debt — Principal payments required on long-term debt outstanding at December 31, 2021 are $754 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024, $1.5 billion in 2025, $3.0 billion in 2026 and $9.3 billion in 2027 and thereafter. Interest payments required on long-term debt outstanding at December 31, 2021 are $579 million in 2022, $569 million in 2023, $526 million in 2024, $494 million in 2025, $463 million in 2026 and $5.8 billion in 2027 and thereafter.

Operating leases — As of December 31, 2021, estimated contractual obligations for operating lease payments were $1.351 billion, with $272 million due within 12 months.

In addition, Abbott enters into purchase commitments in the normal course of business to meet operational and capital expenditure requirements. The majority of outstanding purchase commitments generally do not extend past one year.

CONTINGENT OBLIGATIONS

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 December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Abbott adopted the standard on January 1, 2021. The new standard did not have an impact on its consolidated financial statements.

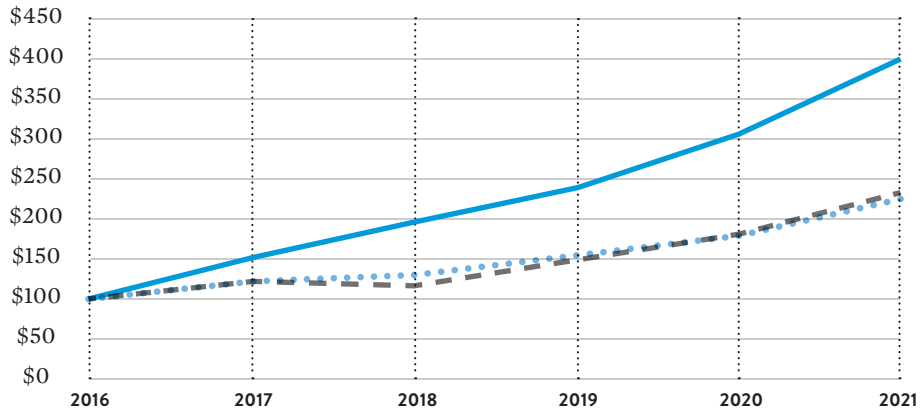
In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. Abbott adopted the standard on January 1, 2020 and recorded a cumulative adjustment that was not significant to Earnings employed in the business in the Consolidated Balance Sheet.

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.

FINANCIAL REVIEW

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, 2016 with dividends reinvested.

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in millions except per share data)

Year Ended December 31		2021	2020	2019	2018	2017
Summary of Operations:						
Net Sales	$	43,075	34,608	31,904	30,578	27,390
Cost of products sold	$	20,584	17,135	15,167	14,884	14,384
Research & development	$	2,742	2,420	2,440	2,300	2,260
Selling, general, and administrative	$	11,324	9,696	9,765	9,744	9,182
Operating earnings	$	8,425	5,357	4,532	3,650	1,564
Interest expense	$	533	546	670	826	904
Interest income	$	(43)	(46)	(94)	(105)	(124)
Other (income) expense, net (a)	$	(276)	(111)	(121)	56	(1,447)
Earnings before taxes	$	8,211	4,968	4,077	2,873	2,231
Taxes on earnings from continuing operations	$	1,140	497	390	539	1,878
Earnings from continuing operations	$	7,071	4,471	3,687	2,334	353
Net earnings	$	7,071	4,495	3,687	2,368	477
Basic earnings per common share from continuing operations	$	3.97	2.51	2.07	1.32	0.20
Basic earnings per common share	$	3.97	2.52	2.07	1.34	0.27
Diluted earnings per common share from continuing operations	$	3.94	2.49	2.06	1.31	0.20
Diluted earnings per common share	$	3.94	2.50	2.06	1.33	0.27
Financial Positions:						
Working capital	$	11,134	8,534	4,804	5,620	11,235
Long-term investment securities	$	816	821	883	897	883
Net property & equipment	$	8,959	9,029	8,038	7,563	7,607
Total assets	$	75,196	72,548	67,887	67,173	76,250
Long-term debt, including current portion	$	18,050	18,534	17,938	19,366	27,718
Shareholders' investment	$	36,024	33,003	31,301	30,722	31,098
Book value per share	$	20.42	18.63	17.76	17.50	17.84
Other Statistics:						
Gross profit margin	%	52.2	50.5	52.5	51.3	47.5
Research and development to net sales	%	6.4	7.0	7.6	7.5	8.3
Net cash from operating activities	$	10,533	7,901	6,136	6,300	5,570
Capital expenditures	$	1,885	2,177	1,638	1,394	1,135
Cash dividends declared per common share	$	1.82	1.53	1.32	1.16	1.075
Common shares outstanding (in thousands)		1,764,082	1,771,230	1,762,503	1,755,619	1,743,602
Number of common shareholders		35,926	37,450	38,990	42,827	44,581
Market price per share – high	$	142.60	115.14	89.24	74.92	57.77
Market price per share – low	$	105.36	61.61	65.50	55.58	38.34
Market price per share – close	$	140.74	109.49	86.80	72.33	57.07

(a) These amounts include debt extinguishment costs and net foreign exchange (gain) loss.

DIRECTORS AND CORPORATE OFFICERS

DIRECTORS

Robert J. Alpern, M.D.
Ensign Professor of Medicine and Physiology and Professor of Internal Medicine and Cellular and Molecular Physiology, and Former Dean of Yale School of Medicine

Roxanne S. Austin
President and Chief Executive Officer Austin Investment Advisors

Sally E. Blount, Ph.D.
Chief Executive Officer, Catholic Charities of the Archdiocese of Chicago and Michael L. Nemmers Professor of Strategy and Former Dean of the J.L. Kellogg Graduate School of Management at Northwestern University

Robert B. Ford
Chairman of the Board and Chief Executive Officer, Abbott Laboratories

Paola Gonzalez
Vice President and Treasurer of The Clorox Company

Michelle A. Kumbier
President, Turf & Consumer Products, Briggs & Stratton, LLC

Darren W. McDew
Retired General, United States Air Force, and Former Commander of U.S. Transportation Command

Nancy McKinstry
Chief Executive Officer and Chairman of the Executive Board of Wolters Kluwer N.V.

William A. Osborn
Retired Chairman and Chief Executive Officer of Northern Trust Corporation

Michael F. Roman
Chairman of the Board, President and Chief Executive Officer, 3M Company

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Retired Chairman, President and Chief Executive Officer of St. Jude Medical, Inc.

John G. Stratton
Executive Chairman of Frontier Communications Parent, Inc.

Glenn F. Tilton
Retired Chairman, President and Chief Executive Officer of UAL Corporation

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Executive Vice President, Ventures

Lisa D. Earnhardt*
Executive Vice President, Medical Devices

Robert E. Funck, Jr.*
Executive Vice President, Finance and Chief Financial Officer

John F. Ginascol*
Executive Vice President, Core Diagnostics

Joseph Manning*
Executive Vice President, Nutritional Products

Mary K. Moreland*
Executive Vice President, Human Resources

Daniel Salvadori*
Executive Vice President and Group President, Established Pharmaceuticals and Nutritional Products

Andrea Wainer*
Executive Vice President, Rapid and Molecular Diagnostics

Gregory A. Ahlberg*
Senior Vice President, Core Laboratory Diagnostics, Commercial Operations

Christopher J. Calamari*
Senior Vice President, U.S. Nutrition

Michael D. Dale*
Senior Vice President, Structural Heart

J. Scott House
Senior Vice President, Quality Assurance, Regulatory and Engineering Services

Sammy Karam*
Senior Vice President, Established Pharmaceuticals, Emerging Markets

Fernando Mateus*
Senior Vice President, International Nutrition

Louis H. Morrone*
Senior Vice President, Rapid Diagnostics

Michael J. Pederson*
Senior Vice President, Electrophysiology

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Senior Vice President, Abbott Vascular

Jared L. Watkin*
Senior Vice President, Diabetes Care

Alejandro D. Wellisch*
Senior Vice President, Established Pharmaceuticals, Latin America

Randel W. Woodgrift*
Senior Vice President, Cardiac Rhythm Management

CORPORATE VICE PRESIDENTS

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Vice President, Established Pharmaceuticals, India

Elizabeth M. Balthrop
Vice President, Transfusion Medicine

Erica L. Battaglia
Vice President, Chief Ethics and Compliance Officer

Keith Boettiger
Vice President, Heart Failure

Philip P. Boudreau*
Vice President, Finance and Controller

Melissa D. Brotz
Vice President, Public Affairs and Corporate Marketing

P. Claude Burcky
Vice President, Government Affairs

Fanny Chen
Vice President, Core Diagnostics, China

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Vice President, Commercial Legal Operations

Thomas C. Evers
Vice President, U.S. Government Affairs

Sabina A. Ewing
Vice President, Business and Technology Services

John S. Frels
Vice President, Research and Development, Immunoassay/Clinical Chemistry

Renaud Gabay
Vice President, Nutrition, North Asia

Jeffrey N. Haas II
Vice President, Infectious Disease, Developed Markets, Rapid Diagnostics

Damian P. Halloran
Vice President, Infectious Disease, Emerging Markets, Rapid Diagnostics

Gene Huang, Ph.D.
Vice President, Chief Economist

Gary C. Johnson
Vice President, Clinical, Regulatory and Health Economics Outcomes Research, Cardiovascular and Neuromodulation

Daman Kowalski
Vice President, Molecular Diagnostics

Robert R. Kunkler
Vice President, Toxicology, Cardiometabolic and Consumer Products and Services

Brian Lehman
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Scott M. Leinenweber
Vice President, Investor Relations, Licensing and Acquisitions

Pedro Malha
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David P. Mark
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John A. McCoy Jr.
Vice President, Treasurer

Jana Mihaylova
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Shawn D. Millerick
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John M. Murphy
Vice President, Nutrition Supply Chain

Joseph L. Novak
Vice President, Taxes

Karen M. Peterson
Vice President, Controller, Rapid and Molecular Diagnostics

William R. Phillips
Vice President, Commercial Operations, Cardiac Rhythm Management

Ric A. Schneider
Vice President, Chief Procurement Officer

Christopher J. Scoggins
Vice President, Commercial Operations and Marketing, Abbott Diabetes Care

Eric Shroff
Vice President, Abbott Point of Care

Frank Weitekamper
Vice President, Abbott Transition Organization

Monica J. Wilkins
Vice President, Regulatory and Quality

**Denotes executive officer*

SHAREHOLDER AND CORPORATE INFORMATION

SHARES LISTING

The ticker symbol for Abbott's common shares 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, recorded, and paid on the following schedule in 2022, pending approval by the Board of Directors:

Quarter	Declared	Recorded	Paid
First	2/18	4/15	5/16
Second	6/10	7/15	8/15
Third	9/15	10/14	11/15
Fourth	12/9	1/13/23	2/15/23

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, as listed in the right-hand column.

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 at 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 common shares. Please contact the transfer agent with any questions.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 9 a.m. Central Time on Friday, April 29, 2022. The Annual Meeting will be held virtually to enable broader and more convenient shareholder participation and to support the health and safety of Abbott's shareholders, employees, and communities during the ongoing coronavirus pandemic. There will not be a physical location for the Annual Meeting, and shareholders will not be able to attend the Annual Meeting in person. Questions regarding the annual meeting may be directed to the Corporate Secretary. A copy of Abbott's 2021 Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available on Abbott's Web site at www.abbott.com or by calling the Investor Newsline (above, right).

CEO AND CFO CERTIFICATIONS

In 2021, 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 2021 reports.

INVESTOR NEWSLINE

224-667-7300

INVESTOR RELATIONS

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781-575-3910 (outside U.S. or Canada)
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Shareholders with questions about their accounts may contact the transfer agent, listed above.

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 website, www.abbott.com.

NOTES

1) Based on a comparison of list prices of the FreeStyle Libre 2 system versus competitors' CGM systems. The actual cost to patients may or may not be lower than other CGM systems, depending on the amount covered by insurance, if any.

2) Data based on the number of users worldwide for FreeStyle Libre family of personal CGMs compared to the number of users for other leading personal CGM brands and based on CGM sales dollars compared to other leading personal CGM brands. Data on file. Abbott Diabetes Care.

3) Among patient-applied sensors. Data on file, Abbott Diabetes Care, Inc.

4) Morillo, C. A., Banerjee, A., Perel, P., Wood, D., & Jouven, X. (2017). Atrial fibrillation: the current epidemic. *Journal of geriatric cardiology*: JGC, 14(3), 195–203

5) Go A, Hylek E, Phillips K, Chang Y, et al. Prevalence of Diagnosed Atrial Fibrillation in Adults: National implications for rhythm management and stroke prevention: the AnTicoagulation and Risk Factors In Atrial Fibrillation (ATRIA) Study. *JAMA*. 2001; 285(18): 2370-5

6) Abbott. Report on file. Report 90299533.

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8) Mansour, M., Reddy, V. Y., Karst, E., Heist, E. K., Packer, D., Dalal, N., . . . Mahapatra, S. (2016, May). Contact force sensing on AF ablation catheter: A health-economic analysis. Abstract presented at Heart Rhythm Society, San Francisco, CA. *Heart Rhythm*, 13(5 Suppl 1), S227, Abstract PO02-155.

Some statements in this annual report may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties, that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, "Risk Factors," in our Securities and Exchange Commission 2021 Form 10-K and are incorporated by reference. We undertake no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

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