2014 ANNUAL REPORT

Abbott

Abbott is a globally diversified healthcare company whose central purpose is to help people, at all stages of life, live their best possible lives through better health. We offer a broad portfolio of market-leading products that align with favorable long-term healthcare trends in both developed and developing markets. Building on a strong foundation of more than 125 years of success, our company is poised to deliver durable growth, expanding margins, strong cash flow, and increasing returns to shareholders.

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ON THE COVER:

JULIANA AULER
SÃO PAULO, BRAZIL
GLUCERNA

Juliana Auler is an English teacher, translator and dedicated mom to a highly active toddler. As a person with diabetes, Juliana understands better than most the importance of proper nutrition. She relies on *Glucerna* to help fill in the gaps in her diet, while keeping her blood sugar at optimal levels.

MILES WHITE
Chairman of the Board and Chief Executive Officer

DEAR FELLOW SHAREHOLDER:

Our purpose at Abbott is to help people live the best lives they can, through better health. In 2014, through our strong performance and strategic actions, we positioned ourselves to do so for more people than ever before.

LETTER TO OUR SHAREHOLDERS

In 2014 we saw the new Abbott in full. 2012 was our year of separation, 2013 a year of establishing the template of the new company we'd become. Last year was our first opportunity to run that company flat out. And we were very happy with what we saw and how we performed. 2014 was a very good year for Abbott — one that clearly demonstrated how we'll compete and succeed in the years ahead.

STRONG CASH FLOW

Throughout the year, we built for the future in multiple ways. All of them made our company stronger, more competitive, and better able to help more people in more ways. Our strategic actions in 2014 significantly enhanced our established competitive strengths:

BALANCE

Well-balanced diversity is the foundation of Abbott's strategy and success. Our four major businesses are of roughly equal size, and that balance extends across geographies and our mix of payers. We constantly shape our portfolio to ensure that we're in the right markets and that our success isn't over-reliant on any single therapy, technology, or country.

This year, we took several actions in our Established Pharmaceuticals business, strengthening its product portfolio, building its geographic presence, and increasing its focus on growth markets. First, we expanded this business through our acquisitions of CFR Pharmaceuticals and Veropharm, which significantly enhanced our product portfolio and our presence throughout Latin America and Russia, respectively, making Abbott a top-ten player in both regions. At the same time we agreed to sell our developed-markets branded-generics business to Mylan Inc., focusing this business entirely on faster-growing markets.

We further focused our company on enhancing human health by agreeing to sell our Animal Health business to Zoetis and by entering a large and growing new therapeutic area — electrophysiology for people with atrial fibrillation — through our acquisition of Topera.

GLOBAL PRESENCE

Today's Abbott is one of the most globalized of all healthcare companies, with about half of our sales now in faster-growing geographies. To support our strong global growth, we're expanding infrastructure around the world. In 2014, we added a new vaccine facility in the Netherlands, nutrition plants in China, India, and the United States, and are adding a new optics facility in Malaysia to meet growing demand in those regions.

In a highly innovative move, we also agreed to co-develop a dairy-farm hub in China, which will deepen our roots in the country and strengthen our supply chain. These investments are a reflection of the strong underlying demand for high-quality adult and pediatric nutrition products. Our intent is to design and manufacture products around the world to ensure that they're geared to local needs and preferences, that we can produce them efficiently, and that we build our presence and strengthen our relationships with key stakeholders in every country in which we do business.

RELEVANCE

Abbott is well positioned to grow with the major trends in our business and the broader global environment.

The growth of developing economies and the global middle class has vastly expanded our markets and ability to help more people around the world. A related and equally powerful trend driving our business is the aging of the global population. Today, about 23 percent of the people in the key markets we serve are age 50 or older; the United Nations projects this to grow to 40 percent by 2050.

Abbott has a wide range of leading products designed specifically for older people — who use more healthcare than others. Cataract removal, for instance, is the world's most-performed surgery; we're currently the No. 2 provider of cataract surgical instruments and lenses, and are gaining market share through the introduction of new products such as our new *Catalys* system. This patient group also often requires intraocular lenses to help them focus their sight. To that end, this year we began the global rollout of two new *Tecnis Symfony* lenses.

And in our Vascular business we launched our *MitraClip* device in the U.S. to treat mitral valve regurgitation, a heart condition that is strongly correlated with age.

ABBOTT VISION

WE ARE BUILDING A NEW ABBOTT FOR THE 21ST CENTURY, WITH MARKET-LEADING BRANDS AND TARGETED INNOVATIONS.

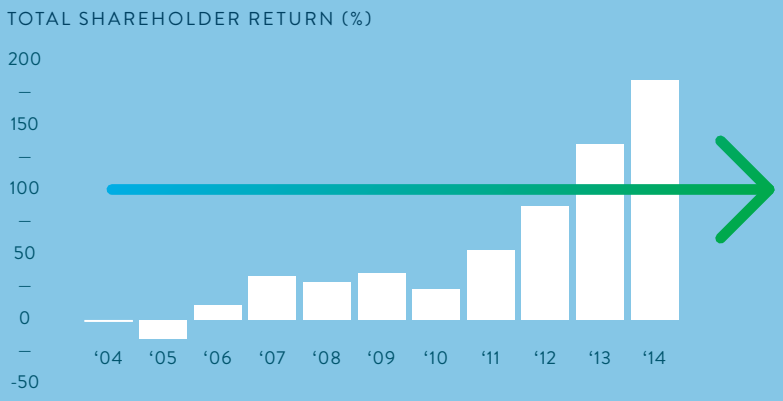
OUR FIVE-POINT APPROACH FOR SUSTAINED SUCCESS

- Productive R&D
- Well-Managed Intellectual Property
- Gross-Margin Improvements
- Expanding Presence in Fast-Growing Markets
- Compelling Corporate Brand Identity

OUR INVESTMENT IDENTITY

A durable growth-and-income investment, delivering top-tier growth and steady margin expansion, with strong cash flow and increasing returns to shareholders.

10-YEAR SHAREHOLDER VALUE CREATION



Shareholders who have owned Abbott since the end of 2004 have seen a 165% increase in the value of their investment, significantly outperforming the S&P 500 and Dow Jones Industrial indices.

MANAGING FOR DURABLE GROWTH

ADAPTING TO:

CHANGING MARKET DYNAMICS

WITH:

- STRONG MARKET POSITIONS
- CONSISTENT PERFORMANCE
- STRATEGIC DIVERSITY

TO DELIVER:

DURABLE, RELIABLE GROWTH

LETTER TO OUR SHAREHOLDERS

LEADING

Abbott intends to lead — both scientifically and commercially — in the markets in which we compete. 2014 underscored that leadership across our businesses. For example:

• In Diabetes Care we launched our game-changing new glucose-monitoring technology, *Freestyle Libre,* in Europe. This revolutionary, first-of-its-kind product solves our customers' biggest problem in this therapeutic area: having to stick their fingers repeatedly to draw blood for testing. *Libre* allows the user to read the data wirelessly by simply passing an electronic reader over a disposable sensor worn on the body.

• Our Nutrition business has averaged more than 70 new-product launches annually over the past several years. This includes innovations customized for the markets we serve, such as *Eleva,* a new formula designed to promote absorption of key eye and brain nutrients for infants in China. And we brought our world-leading adult nutrition business to China with the launch there of *Ensure*.

• In Diagnostics, our *Iridica* molecular-testing platform — another revolutionary new technology — has been approved in Europe to more quickly diagnose serious infections, such as sepsis. At the same time, we're also updating our full range of existing diagnostic platforms — both systems and tests.

DURABLE

These strengths add up to the fundamental advantage that we offer investors: Durability. Abbott is built strong and built to last; that's how we've succeeded in delivering superior innovation, productivity, and growth with such remarkable consistency and reliability.

FOCUS ON FASTER-GROWTH MARKETS

We build and manage our company to navigate environmental volatility and keep providing the performance, the return, and the dependability that you look to us for.

PERFORMANCE

For the full-year 2014, we achieved sales growth of 5.5 percent, excluding the unfavorable impact from foreign exchange. Our operational sales growth rates, again excluding the impact of exchange, improved sequentially over the course of the year, as expected, and operational sales in emerging markets, including the impact of 2014 acquisitions, increased 12.5 percent. At the same time, we expanded our operating margin and achieved year-over-year strong, double-digit operating earnings growth. In addition to this strong performance, we raised our quarterly dividend by 57 percent versus 2013 and by more than 9 percent in December 2014.

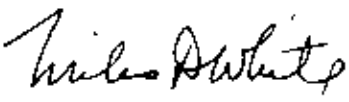
LIFE. TO THE FULLEST.

The highlights I've discussed above exemplify well-established ways in which Abbott has succeeded for many years. In 2014 we also took a strong step in a new direction for us, adding a major new dimension to our competitive capability.

With half our sales today direct to consumers and half in emerging markets where we're often establishing our presence, it's more important than ever in Abbott's history that we have a powerful, highly-recognized global identity to help us connect more strongly and directly with the people who use our products. To do so, last year we launched our new corporate brand identity: *Life. To the Fullest*.

Life. To the Fullest. symbolizes our belief that health is the foundation for everything we can achieve in life. It's the great enabler — the thing that makes all else possible. And it expresses our commitment to helping people get as much out of their lives as possible through better health.

Through actions like those we took last year, this is exactly what we're doing. Today's Abbott is helping more people in more ways than ever before. We intend to make *Life. To the Fullest*. the most recognized brand in our business, and make Abbott synonymous with not just healthcare, but with health itself and all that it means for the people we serve.



Miles D. White
Chairman of the Board and Chief Executive Officer
March 2, 2015

LIFE.

Good health is
the great enabler,
helping people
live not just longer,
but better.

TO THE FULLEST.

Abbott's fundamental purpose is helping people get healthy and stay healthy, at all stages of life, so they can enjoy their best possible lives.

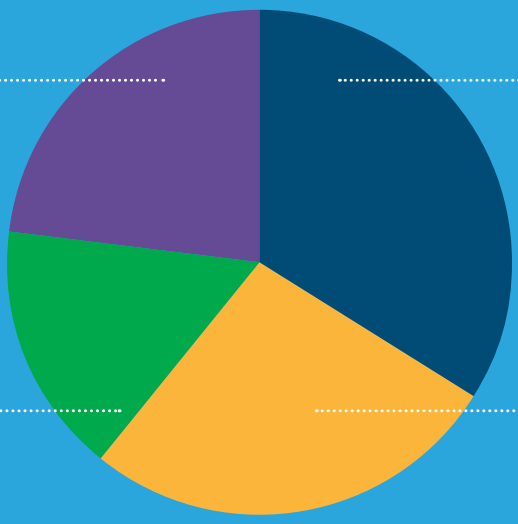
We draw on our key strengths — our diversity of products and markets, our unwavering commitment to quality, a holistic approach to addressing health needs, and our commitment to locally targeted solutions — to maximize the impact we can have on the world.

Laura Cleverly
Southsea, England
FreeStyle Libre

BALANCE

BALANCED DIVERSITY IS FOUNDATIONAL TO ABBOTT'S CONTINUED SUCCESS, INSULATING US FROM VOLATILITY AND OFFERING MORE STRATEGIC FLEXIBILITY AS WE ACCELERATE OUR GROWTH.

BALANCED PORTFOLIO MIX



Based on 2014 sales from continuing operations

BALANCED AND DIVERSE PORTFOLIO

>10,000

PRODUCTS

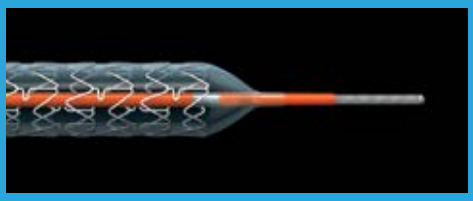
We are not dependent upon any single product to deliver growth

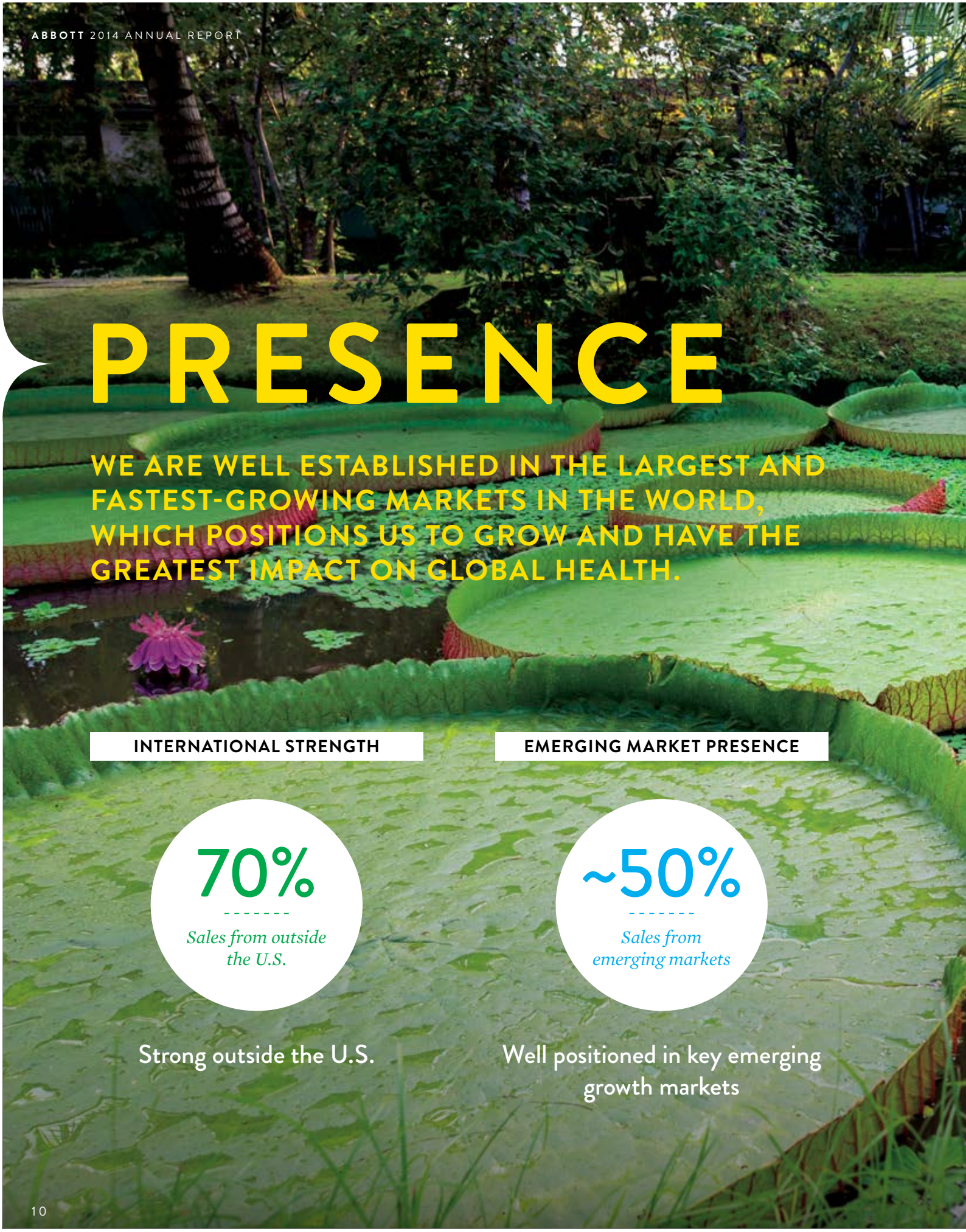
BALANCED CUSTOMER MIX

An even split of payer types helps drive growth and reduces volatility

50% CONSUMER-FACING

50% THIRD-PARTY PAYERS





PRESENCE

WE ARE WELL ESTABLISHED IN THE LARGEST AND FASTEST-GROWING MARKETS IN THE WORLD, WHICH POSITIONS US TO GROW AND HAVE THE GREATEST IMPACT ON GLOBAL HEALTH.

INTERNATIONAL STRENGTH

70%

Sales from outside the U.S.

Strong outside the U.S.

EMERGING MARKET PRESENCE

~50%

Sales from emerging markets

Well positioned in key emerging growth markets

GLOBAL MARKET BREADTH

11 LARGEST MARKETS

64% of sales

Well distributed across the world's largest healthcare markets

RELEVANCE

OUR BUSINESS IS WELL ALIGNED WITH IMPORTANT GLOBAL ECONOMIC AND DEMOGRAPHIC TRENDS, POSITIONING US FOR RELIABLE LONG-TERM GROWTH.

ECONOMIC GROWTH 2014-2019

Growth in Total Gross Domestic Product

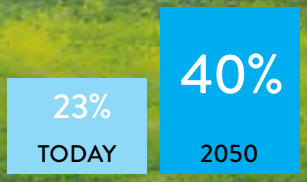
2.0% DEVELOPED ECONOMIES

4.6% EMERGING ECONOMIES

Healthcare spending is 18% of GDP in the U.S., but just 6%, and rising, in fast-growing emerging markets, providing tremendous long-term potential

AGING POPULATION

Percent of Population Over 50 Years Old



By 2050, 40% of the population in our key markets will be over 50 years old

Abbott is a recognized leader in addressing many conditions associated with aging, such as diabetes, cataracts, and cardiovascular disease

GROWING MIDDLE CLASS IN EMERGING MARKETS

As economies expand and incomes rise, people and their governments have more resources to devote to health

LEADING PRESENCE AROUND THE WORLD

>150

Sales in more than 150 countries

We have a strong commercial presence in every region of the world

LEADERSHIP

WITH LEADING PRODUCTS IN EVERY BUSINESS, ABBOTT IS WELL POSITIONED NOT JUST TO RESPOND TO EXTERNAL CHANGES—BUT TO DRIVE CHANGE IN THE MANY MARKETS WE SERVE.

LEADING PRODUCT BRANDS

#1

We have the number 1 or 2 brand in 75 important product categories

Consumers and providers put their trust in Abbott products across the full spectrum of healthcare

BUILDING A LEADING BRAND

life. to the fullest.

We're making strategic investments to build our corporate identity, ensuring people know who Abbott is and how we make their lives better

NUTRITION

SCIENCE-BASED NUTRITION FOR EVERY STAGE OF LIFE

Vy Đặng Lê Khánh of Ho Chi Minh City, Vietnam is a happy, healthy first-grader who's always on the go. Her parents trust PediaSure *to help ensure Vy is getting all the nutrients she needs.*

PEDIASURE,
COMPLETE NUTRITION

The restless energy of Ho Chi Minh City sets the pace for Vietnam's rapidly growing economy. As the commercial hub of the country, it's a city that's always on the move. That's a description that could easily be applied to six-year-old Vy Đặng Lê Khánh, a bundle of energy who loves playing with her friends, going to museums, and drawing. Vy likes *PediaSure* because it tastes good. Her parents appreciate the fact that it delivers the nutrition she'll need to reach her full potential.

Vietnam is one of the many fast-growing markets in which Abbott is steadily expanding its presence. In 2014, emerging markets accounted for just under half of Abbott's nutrition sales, but they represented the majority of the operational sales growth in this business.

In 2014, we deepened our roots and supported our continuing growth in these regions through targeted investments in local infrastructure, opening new nutrition manufacturing plants in China and India. These facilities, combined with a newly opened plant in the United States, will help us better meet growing global demand for both pediatric and adult nutritional products.

To expand our commitment to customers in China, we announced a strategic alliance with Fonterra, the world's largest global milk processor and dairy exporter, to develop a proposed dairy-farm hub in China. With this joint venture, which is subject to Chinese regulatory approval, we can help make a positive contribution to the growth and development of China's dairy industry.

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NUTRITION

OUR MOST CONSUMER-FACING BUSINESS

Throughout the world, people count on Abbott to help them get healthy and stay healthy throughout their lives.

With our broad line of science-based products — from the complete nutrition of *Similac, PediaSure,* and *Ensure*, to condition-specific nutritionals like *Glucerna* for people with diabetes, and *Nepro* for dialysis patients, to healthy-living brands like *EAS* and *ZonePerfect* — Abbott can help people at every stage of life reach their full potential.

INNOVATIONS EXPAND MARKETS, FUEL GROWTH

- *Similac Qinti* and *Eleva,* infant formula brands created specifically for the Chinese market
- *Similac* Breastfeeding Supplement, launched in the U.S., is designed to enhance levels of DHA, lutein, and vitamin E in breast milk
- *Ensure* Compact, concentrated nutrition launched in Europe
- *PediaSure* Kesar Badam, a saffron almond flavor, developed and launched in India
- *Ensure* brand launched in China; represents a significant long-term growth opportunity

44%

Abbott is the worldwide leader in adult nutrition, a segment that represents almost half of our sales in this business.

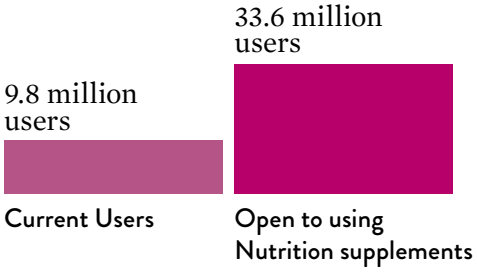
65

new product launches in 2014

2014 BUSINESS HIGHLIGHTS

- Opened state-of-the-art nutrition manufacturing plants in China, India, and the United States
- Opened nutrition R&D center in China
- Announced a partnership with Fonterra to develop a dairy-farm hub in China

U.S. GROWTH POTENTIAL IN ADULT NUTRITION



~50 *consumer brands*

~100 *countries*

#1 or 2 *in 25 countries*

Abbott's leading brands provide a strong foundation to help us shape the markets we serve and create new opportunities for our nutrition business.

MEDICAL DEVICES

TECHNOLOGIES THAT CHANGE LIVES

Dr. Chester Barnes is 88 years old and enjoys an active, fulfilling life thanks, in part, to Abbott's MitraClip.

MITRACLIP,
VALVE REPAIR DEVICE

Dr. Chester Barnes is a life-long resident of Los Angeles, California, USA, where he spent more than 50 years as a family physician. In 2014, he was scheduled for pacemaker surgery, but he had persistent fatigue and shortness of breath that were symptoms of another cardiac problem. His mitral valve, which helps keep blood flowing the right way as the heart beats, was damaged.

His doctors determined that the best way to repair the valve was to use a minimally invasive procedure employing Abbott's *MitraClip* valve repair device. After the procedure, and after receiving a new pacemaker, Dr. Barnes felt his energy returning, and soon he was able to get back the life he loved, gardening, spending time with his grandchildren, and volunteering in his community.

Mitraclip is just one of many examples of the breakthrough products from Abbott's Medical Devices group, which includes our Diabetes Care, Vascular and Vision Care businesses.

As the world's population ages, we will see a corresponding increase in the prevalence of conditions that are associated with aging — like heart disease, diabetes, and cataracts. Abbott's portfolio of targeted technologies is well aligned with these trends, with products that can help people recover more quickly, monitor more accurately and see more clearly.

Abbott's device businesses share a fundamental commitment to delivering advanced technologies that dramatically improve outcomes, while contributing to lower overall healthcare costs. In 2014, Abbott expanded the scope of this organization when we entered the transcatheter electrophysiology market by acquiring Topera, Inc.

2014 Business Review

MEDICAL DEVICES

LEADERSHIP IN PATIENT-FOCUSED TECHNOLOGY

In our Medical Devices business, Abbott harnesses the power of innovation to make a clear, positive difference in people's lives.

Many of our products — like our *Absorb* bioresorbable vascular scaffold, our *FreeStyle Libre* glucose monitoring system, or our *Tecnis Symfony* extended-range-of-vision intraocular lens — are first-of-their-kind breakthroughs, solutions that dramatically change the way people treat their conditions.

2014 BUSINESS HIGHLIGHTS

DIABETES CARE

- *FreeStyle Libre* launched in Europe, revolutionizing glucose monitoring
- *FreeStyle Precision Neo*, a consumer blood-glucose monitoring system, launched in the U.S.

VISION CARE

- *Tecnis Symfony* intraocular lens launched in Europe, provides full range of vision with limited glare and reduced halos
- *Catalys* Laser Precision System lets cataract surgeons use our proprietary 3D imaging system to provide patients more customized care

VASCULAR / CARDIAC CARE

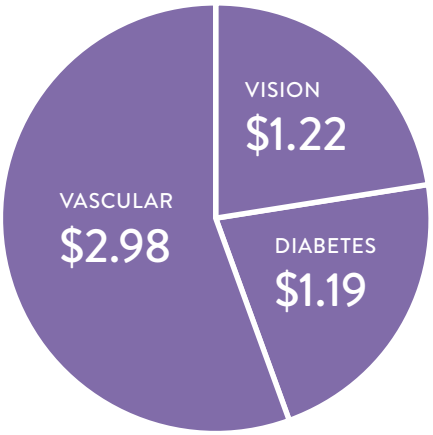
- Next-generation medicated heart stent, *Xience Alpine*, approved in the U.S. and Japan
- Completed patient enrollment in clinical trials for the *Absorb* bioresorbable vascular scaffold to support regulatory approvals in the U.S., Japan and China
- *MitraClip* access expanded in the U.S. with Medicare National Coverage Determination and new technology add-on payment; device now available in more than 30 countries
- Entered rapidly growing field of transcatheter electrophysiology with acquisition of Topera, Inc.

VISION CARE

VASCULAR DEVICES

DIABETES CARE

2014 SALES BY DIVISION (in billions)



CATARACT SURGICAL SYSTEMS AND LENSES

#2

Abbott is the fastest-growing company in the premium lens segment

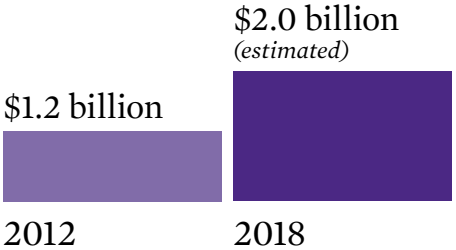
BREAKTHROUGH IN DIABETES MONITORING

FREESTYLE LIBRE

With the launch of this next-generation technology, Abbott created an entirely new category, Flash Glucose Monitoring, eliminating the need for routine finger pricks

GROWTH DRIVER – VASCULAR

Projected Growth in Market for Interventional Treatment of Superficial Femoral Artery (Upper Leg)



Our Supera *stent, launched in the United States, helps restore blood flow through blockages in the upper legs*

DIAGNOSTICS

STRONG PARTNERSHIPS, BETTER RESULTS

As Chief Executive of KingMed Diagnostics, China's largest independent diagnostics laboratory, Liang Yaoming trusts Abbott systems and solutions to provide accurate, efficient results.

ARCHITECT, DIAGNOSTIC SYSTEM

KingMed Diagnostics runs thousands of immunoassay, clinical chemistry, and molecular diagnostic tests every day. They rely on Abbott's integrated testing and data-management solutions to provide results that improve patient outcomes while reducing overall costs.

In that sense, KingMed is just like thousands of other Abbott diagnostics customers all around the world. Today, healthcare providers are looking for ever faster and more accurate methods to evaluate and treat their patients. Abbott's diagnostics businesses — Core Laboratory, Molecular and Point of Care — offer distinctly different technologies and solutions, but they share a focus on helping healthcare systems detect health risks and disease at earlier stages, improving treatment and disease management, while diminishing subsequent health problems and their associated costs.

With a more than 60-year history in diagnostics, we're positioned for growth. We're expanding our presence in the core laboratory market segment to improve the efficiency, speed, and accuracy of patient tests, while managing the vast amount of information flowing through the lab. We'll leverage our deep expertise in infectious-disease testing to help improve the treatment of people with viruses and unknown infections. We are delivering new point-of-care testing capabilities that help accelerate treatment decisions. And we're building our presence in fast-growing markets like China to meet the increased demand in those regions.

2014 Business Review

DIAGNOSTICS

TRANSFORMING THE CONTINUUM OF CARE

Abbott offers a broad range of innovative diagnostics instrument systems and solutions for hospitals, reference labs, molecular labs, blood banks, physician offices, and clinics.

Our diagnostic products are helping our customers better meet the changing needs of global healthcare. More than simply tests or data points, our diagnostic solutions work together to help improve decision making and patient care across the spectrum of healthcare.

2014 BUSINESS HIGHLIGHTS

- Announced European regulatory approval for the *Iridica* system, a first-of-its-kind technology designed to identify disease-causing pathogens, such as bacteria, fungi or viruses, significantly faster than the current standard of care
- Announced partnership with the U.S. Department of Defense to develop portable blood tests for the *i-STAT* point-of-care testing system to evaluate potential concussions
- Launched *ARCHITECT* Clinical Chemistry Hemoglobin A1c test, enabling physicians to quickly assess a person's average blood-glucose concentration over several months, aiding in the diagnosis of diabetes and helping identify patients who may be at risk for developing the disease
- Demonstrated value of *i-STAT* point-of-care testing system during the West African Ebola outbreak, providing measures of key bodily functions while keeping samples within quarantined areas
- Continued development of next-generation hematology, blood-screening, immunochemistry, molecular, and point-of-care testing platforms

CORE LABORATORY

MOLECULAR

POINT OF CARE

LEADING BRANDS

- ***ARCHITECT***
  Immunoassay systems and tests
- ***ABBOTT PRISM***
  Blood-screening system
- ***ACCELERATOR***
  Advanced lab-automation system
- ***M2000***
  Molecular testing system
- ***IRIDICA***
  Breakthrough pathogen-identification system
- ***CELL-DYN***
  Hematology analyzers
- ***I-STAT***
  Point-of-Care testing system

>22,000 *customers*
in **~100** *countries*

DIAGNOSTIC LEADERSHIP

#1 in immunoassay and blood screening worldwide

#1
Blood screening

LEADING POINT-OF-CARE SYSTEM

Abbott's i-STAT *system is used in more than 40 countries for fast, accurate results at the patient's bedside*

TRUSTED BRANDS IN FAST-GROWING MARKETS

Thanks to a trusted medicine that helped him take control of his cholesterol, Alberto Wilson is better able to relax and enjoy the things — and the people — that really matter to him.

NORMOLIP,
FOR LIPID CONTROL

Alberto Wilson of Bogota, Colombia, is a busy commercial advisor with active twin 11-year-old sons, Andres and Phillip. Whenever he can, Alberto loves to spend time with his boys, taking walks in the neighborhood park, watching them play soccer, and visiting historic places and the scenic mountains that flank the city.

Alberto loves to lead an active lifestyle. So when he learned that he was suffering from high cholesterol, he knew he had to find a way to manage his condition. He relied on our *Normolip* brand fenofibrate to help lower his triglycerides and raise his levels of high-density lipoprotein, also known as HDL, the "good" cholesterol. *Normolip* is just one drug in a portfolio that includes some of the world's most-trusted brands.

In 2014, Abbott made a series of strategic moves that will refocus and strengthen this business. First, we completed our acquisitions of two regional branded-generic pharmaceutical companies to expand our footprint in important markets. In September, we added CFR Pharmaceuticals, one of the leading branded-generics companies in Latin America, based in Santiago, Chile. With this deal, Abbott became one of the top ten pharmaceutical companies in Latin America. At the end of the year, we completed our acquisition of Veropharm, making us a top-five branded-generics company in Russia. And in July, we agreed to sell the Developed Markets portion of this business to Mylan Inc. This transaction, which was completed in February 2015, will allow us to focus our energies entirely on driving balanced, sustainable, and faster growth in developing markets.

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EMERGING OPPORTUNITIES TO MAKE A DIFFERENCE

ESTABLISHED PHARMACEUTICALS

As economies around the world expand, people have more resources to devote to healthcare and, increasingly, more choice in how that money is spent. When given that choice, they look for the promise of quality and efficacy that Abbott's pharmaceutical brands represent.

Over the next several years, our focus on developing markets will fuel our growth, as Abbott is well aligned with the fundamentals driving long-term growth for healthcare in these regions.

2014 BUSINESS HIGHLIGHTS

- With the sale of our Developed Markets pharmaceuticals business to Mylan, Abbott will focus its energies in emerging markets
- Acquisition of CFR Pharmaceuticals makes Abbott a top-ten company in Latin America
- Acquisition of Veropharm strengthens Abbott's commercial presence, R&D capability, manufacturing capacity, and ability to serve patients in Russia

Abbott focuses on six core therapeutic areas in which we have strong brands and the ability to address significant customer needs. These areas are:

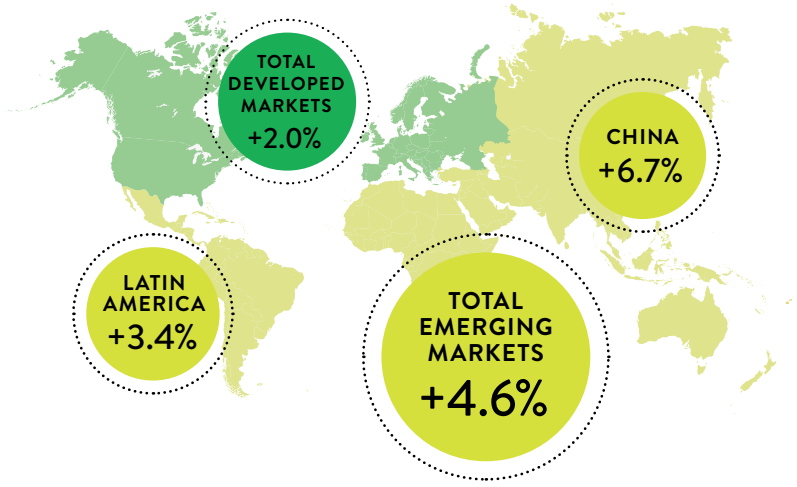
- Gastroenterology
- Women's Health
- Cardio-Metabolic
- Pain/Central Nervous System
- Respiratory Anti-Infectives
- Influenza Vaccine

REGIONAL PORTFOLIOS

GLOBAL STRENGTH

TRUSTED BRANDS

PROJECTED GROWTH OF GROSS DOMESTIC PRODUCT 2014-2019



Healthcare spending is 18 percent of gross domestic product in the United States, but just 6 percent, and rising, in fast-growing emerging markets

NUMBER ONE

Abbott is the No. 1 pharmaceutical company in India, Chile, Colombia, and Peru, and top five in Russia.

27 manufacturing sites ensure reliable local supply

10 pharmaceutical development sites

>1,500 products in our portfolio

88 countries in which we have commercial presence

EMERGING PHARMACEUTICAL MARKETS ARE CONSUMER ORIENTED

75% self-pay

25% third-party payers

Given the choice, consumers opt for brands they know and trust

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CONSOLIDATED STATEMENT OF EARNINGS

(in millions except per share data)

Year Ended December 31	2014	2013	2012
Net Sales	$20,247	$19,657	$19,050
Cost of products sold, excluding amortization of intangible assets	9,218	9,193	8,899
Amortization of intangible assets	555	588	595
Research and development	1,345	1,371	1,461
Selling, general and administrative	6,530	6,372	6,735
Total Operating Cost and Expenses	17,648	17,524	17,690
Operating Earnings	2,599	2,133	1,360
Interest expense	150	145	320
Interest income	(77)	(67)	(59)
Net loss on extinguishment of debt	18	–	1,351
Net foreign exchange (gain) loss	(24)	46	(31)
Other (income) expense, net	14	(32)	(1)
Earnings (Loss) from Continuing Operations Before Taxes	2,518	2,041	(220)
Taxes on Earnings (Loss) from Continuing Operations	797	53	(457)
Earnings from Continuing Operations	1,721	1,988	237
Earnings from Discontinued Operations, net of tax	563	588	5,726
Net Earnings	$ 2,284	$ 2,576	$ 5,963
Basic Earnings Per Common Share—			
Continuing Operations	$ 1.13	$ 1.27	$ 0.15
Discontinued Operations	0.37	0.37	3.61
Net Earnings	$ 1.50	$ 1.64	$ 3.76
Diluted Earnings Per Common Share—			
Continuing Operations	$ 1.12	$ 1.26	$ 0.15
Discontinued Operations	0.37	0.36	3.57
Net Earnings	$ 1.49	$ 1.62	$ 3.72
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,516	1,558	1,575
Dilutive Common Stock Options and Awards	11	16	17
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options and Awards	1,527	1,574	1,592
Outstanding Common Stock Options Having No Dilutive Effect	1	1	1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

Year Ended December 31	2014	2013	2012
Net Earnings	$ 2,284	$ 2,576	$ 5,963
Foreign currency translation (loss) adjustments	(2,206)	(239)	(7)
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 $(459) in 2014, $393 in 2013 and $(276) in 2012	(917)	882	(865)
Unrealized (losses) gains on marketable equity securities, net of taxes of $(7) in 2014, $(10) in 2013 and $(4) in 2012	(12)	(18)	(7)
Net gains (losses) on derivative instruments designated as cash flow hedges, net of taxes of $24 in 2014, $(13) in 2013 and $(29) in 2012	94	(53)	(118)
Other Comprehensive Income (Loss)	(3,041)	572	(997)
Comprehensive Income (Loss)	$ (757)	$ 3,148	$ 4,966

Supplemental Accumulated Other Comprehensive Income Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$(2,924)	$ (718)	$ (79)
Net actuarial (losses) and prior service (cost) and credits	(2,229)	(1,312)	(3,596)
Cumulative unrealized gains on marketable equity securities	1	13	31
Cumulative gains on derivative instruments designated as cash flow hedges	99	5	50

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	2014	2013	2012
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 2,284	$ 2,576	$ 5,963
Adjustments to reconcile earnings to net cash from operating activities—			
Depreciation	918	928	1,363
Amortization of intangible assets	630	791	1,419
Share-based compensation	246	262	433
Acquired in-process and collaborations research and development	—	—	288
Investing and financing (gains) losses, net	69	4	356
Net loss on extinguishment of debt	18	—	1,351
Trade receivables	(195)	(113)	36
Inventories	(297)	(154)	(417)
Prepaid expenses and other assets	30	131	(35)
Trade accounts payable and other liabilities	(225)	(436)	(134)
Income taxes	197	(665)	(1,309)
Net Cash From Operating Activities	3,675	3,324	9,314
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,077)	(1,145)	(1,795)
Acquisitions of businesses and technologies, net of cash acquired	(3,317)	(580)	(706)
Purchases of investment securities	(1,507)	(10,064)	(11,998)
Proceeds from sales of investment securities	5,624	7,839	8,936
Other	75	21	3
Net Cash (Used in) Investing Activities	(202)	(3,929)	(5,560)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt and other	1,343	2,086	784
Proceeds from issuance of long-term debt and debt with maturities over 3 months	—	9	14,700
Repayments of long-term debt and debt with maturities over 3 months	(577)	(303)	(11,071)
Acquisition and contingent consideration payments related to business acquisitions	(400)	(495)	(521)
Transfer of cash and cash equivalents to AbbVie Inc.	—	(5,901)	—
Purchases of common shares	(2,195)	(1,605)	(2,364)
Proceeds from stock options exercised, including income tax benefit	429	395	1,850
Dividends paid	(1,342)	(882)	(3,183)
Net Cash (Used in) From Financing Activities	(2,742)	(6,696)	195
Effect of exchange rate changes on cash and cash equivalents	(143)	(26)	40
Net (Decrease) Increase in Cash and Cash Equivalents	588	(7,327)	3,989
Cash and Cash Equivalents, Beginning of Year	3,475	10,802	6,813
Cash and Cash Equivalents, End of Year	$ 4,063	$ 3,475	$ 10,802
Supplemental Cash Flow Information:			
Income taxes paid	$ 448	$ 1,039	$ 1,367
Interest paid	182	148	576

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,063	$ 3,475
Investments, primarily bank time deposits and U.S. treasury bills	397	4,623
Trade receivables, less allowances of—2014: $310; 2013: $312	3,586	3,986
Inventories:		
Finished products	1,807	1,866
Work in process	278	349
Materials	558	478
Total inventories	2,643	2,693
Deferred income taxes	1,705	2,528
Other prepaid expenses and receivables	1,975	1,504
Current assets held for disposition	892	438
Total Current Assets	15,261	19,247
Investments	229	119
Property and Equipment, at Cost:		
Land	457	502
Buildings	2,968	2,994
Equipment	8,480	8,506
Construction in progress	727	868
	12,632	12,870
Less: accumulated depreciation and amortization	6,697	6,965
Net Property and Equipment	5,935	5,905
Intangible Assets, net of amortization	6,198	5,735
Goodwill	10,067	9,772
Deferred Income Taxes and Other Assets	1,651	2,109
Non-current Assets Held for Disposition	1,934	66
	$41,275	$42,953

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2014	2013
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings	$ 4,382	$ 3,164
Trade accounts payable	1,064	1,026
Salaries, wages and commissions	776	906
Other accrued liabilities	2,943	3,500
Dividends payable	362	341
Income taxes payable	270	175
Current portion of long-term debt	55	9
Current liabilities held for disposition	680	386
Total Current Liabilities	10,532	9,507
Long-term Debt	3,408	3,388
Post-employment Obligations and other long-term liabilities	5,588	4,784
Non-current liabilities held for disposition	108	7
Commitments and Contingencies		
Shareholders' Investment:		
Preferred shares, one dollar par value	—	—
Authorized—1,000,000 shares, none issued		
Common shares, without par value	12,383	12,048
Authorized—2,400,000,000 shares		
Issued at stated capital amount—		
Shares: 2014: 1,694,929,949; 2013: 1,685,827,096		
Common shares held in treasury, at cost—	(8,678)	(6,844)
Shares: 2014: 186,894,515; 2013: 137,728,810		
Earnings employed in the business	22,874	21,979
Accumulated other comprehensive income (loss)	(5,053)	(2,012)
Total Abbott Shareholders' Investment	21,526	25,171
Noncontrolling Interests in Subsidiaries	113	96
Total Shareholders' Investment	21,639	25,267
	$41,275	$42,953

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	2014	2013	2012
Common Shares:			
Beginning of Year			
Shares: 2014: 1,685,827,096; 2013: 1,675,930,484; 2012: 1,638,870,201	$12,048	$11,755	$ 9,817
Issued under incentive stock programs			
Shares: 2014: 9,102,853; 2013: 9,896,612; 2012: 37,060,283	404	393	1,854
Share-based compensation	245	261	435
Issuance of restricted stock awards	(314)	(361)	(351)
End of Year			
Shares: 2014: 1,694,929,949; 2013: 1,685,827,096; 2012: 1,675,930,484	$12,383	$12,048	$11,755
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2014: 137,728,810; 2013: 99,262,992; 2012: 68,491,382	$ (6,844)	$ (5,591)	$ (3,688)
Issued under incentive stock programs			
Shares: 2014: 5,818,599; 2013: 5,718,575; 2012: 6,691,748	283	310	363
Purchased			
Shares: 2014: 54,984,304; 2013: 44,184,393; 2012: 37,463,358	(2,117)	(1,563)	(2,266)
End of Year			
Shares: 2014: 186,894,515; 2013: 137,728,810; 2012: 99,262,992	$ (8,678)	$ (6,844)	$ (5,591)
Earnings Employed in the Business:			
Beginning of Year	$21,979	$24,151	$20,907
Net earnings	2,284	2,576	5,963
Separation of AbbVie Inc.	–	(3,735)	–
Cash dividends declared on common shares (per share—2014: $0.90; 2013: $0.64; 2012: $1.67)	(1,363)	(1,002)	(2,650)
Effect of common and treasury share transactions	(26)	(11)	(69)
End of Year	$22,874	$21,979	$24,151
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (2,012)	$ (3,594)	$ (2,597)
Separation of AbbVie Inc.	–	1,010	–
Other comprehensive income (loss)	(3,041)	572	(997)
End of Year	$ (5,053)	$ (2,012)	$ (3,594)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 96	$ 92	$ 86
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	17	4	6
End of Year	$ 113	$ 96	$ 92

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Changes in Presentation—On January 1, 2013, Abbott completed the separation of AbbVie Inc., which was formed to hold Abbott's research-based proprietary pharmaceuticals business. The historical operating results of the research-based proprietary pharmaceuticals business prior to separation are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations line in Abbott's Consolidated Statement of Earnings. The assets, liabilities, and cash flows of the research-based proprietary pharmaceuticals business are included in Abbott's Consolidated Balance Sheet and its Consolidated Statements of Cash Flows for periods prior to January 1, 2013. See Note 2 for additional information.

In July 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity that will combine Mylan's existing business and Abbott's developed markets pharmaceuticals business, and will be publicly traded. The sale of this business closed on February 27, 2015. In November 2014, Abbott entered into an agreement to sell its animal health business to Zoetis Inc. The sale of this business closed on February 10, 2015. The historical operating results of these businesses are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations line in Abbott's Consolidated Statement of Earnings. The assets and liabilities of these businesses are being reported as held for sale in Abbott's Consolidated Balance Sheet at December 31, 2014. The cash flows of these businesses are included in its Consolidated Statements of Cash Flows for all periods presented. See Note 3—Discontinued Operations for additional information.

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

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

Foreign Currency Translation—The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of *accumulated other comprehensive income (loss)*. Transaction gains and losses are recorded in earnings and were not significant for any of the periods presented.

Revenue Recognition—Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics and medical optics, Abbott participates in selling arrangements that include multiple deliverables (e.g., instruments, reagents, procedures, and service agreements). Under these arrangements, Abbott recognizes revenue upon delivery of the product or performance of the service and allocates the revenue based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. Early adoption is not permitted. The standard becomes effective for Abbott in the first quarter of 2017. Abbott is currently evaluating the effect, if any, that the standard will have on its consolidated financial statements and related disclosures.

Income Taxes—Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Deferred income taxes are not provided on undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment. Interest and penalties on income tax obligations are included in taxes on income.

Earnings Per Share—Unvested restricted stock 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 2014, 2013 and 2012 were $1.713 billion, $1.979 billion and $236 million, respectively. Net earnings allocated to common shares in 2014, 2013 and 2012 were $2.273 billion, $2.558 billion and $5.917 billion, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Share-Based Compensation—The value of stock options and restricted stock awards and units are amortized over their 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 FASB ASC No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

Cash, Cash Equivalents and Investments—Cash equivalents consist of bank time deposits and U.S. treasury bills with original maturities of three months or less. Investments in two publicly traded companies, with a carrying value of approximately $95 million, are accounted for under the equity method of accounting. All other investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive income (loss). Investments in equity securities that are not traded on public stock exchanges are recorded at cost. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as interest income.

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. Governmental accounts in Italy, Spain, Greece and Portugal accounted for 9 percent and 12 percent of total net trade receivables as of December 31, 2014 and 2013, respectively. Product warranties are not significant.

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

NOTE 2—SEPARATION OF ABBVIE INC.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott and AbbVie entered into transitional services agreements prior to the separation pursuant to which Abbott and AbbVie are providing to each other, on an interim transitional basis, various services. Transition services may be provided for up to 24 months with an option for a one-year extension by the recipient. Services being provided by Abbott include certain information technology and back office support. Billings by Abbott under these transitional services agreements are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support will enable AbbVie to establish its stand-alone processes for various activities that were previously provided by Abbott and does not constitute significant continuing support of AbbVie's operations.

For a small portion of AbbVie's operations, the legal transfer of AbbVie's assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013 due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 and 2014 with the remainder expected to be transferred in 2015. These assets and liabilities have been presented as held for disposition in the Consolidated Balance Sheet. At December 31, 2014, the assets and liabilities held for disposition consist of trade accounts receivable of $79 million, inventories of $45 million, equipment of $3 million, other assets of $30 million, and trade accounts payable and accrued liabilities of $277 million. Abbott's obligation to transfer the net liabilities held for disposition to AbbVie of $120 million is included in Other prepaid assets.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

Earnings from discontinued operations include the recognition of $166 million and $193 million of net tax benefits in 2014 and 2013, respectively, primarily as a result of the resolution of various tax positions related to AbbVie's operations for years prior to the separation.

NOTE 3—DISCONTINUED OPERATIONS

In July 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million shares of a newly formed entity that will combine Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business, and will be publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. Abbott will retain its branded generics pharmaceuticals business in emerging markets. At the close of this transaction Abbott and Mylan entered into transitional services agreements pursuant to which Abbott and Mylan will provide various back office support services to each other on an interim transitional basis. Transition services may be provided for up to 2 years. Charges by Abbott under these transitional services agreements will be recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support will not constitute significant continuing support of Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transitional service and manufacturing supply agreements are not expected to be significant. The transaction closed on February 27, 2015.

In November 2014, Abbott entered into an agreement to sell its animal health business to Zoetis Inc. This transaction closed on February 10, 2015.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The operating results of Abbott's developed markets branded generics pharmaceuticals, animal health and AbbVie businesses, which are being reported as discontinued operations are as follows:

(in millions) Year Ended December 31	2014	2013	2012
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	$2,076	$2,191	$ 2,444
AbbVie	–	–	18,380
Total	$2,076	$2,191	$20,824
Earnings Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	$ 505	$ 480	$ 525
AbbVie	–	–	5,958
Total	$ 505	$ 480	$ 6,483
Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	$ 397	$ 395	$ 342
AbbVie	166	193	5,384
Total	$ 563	$ 588	$ 5,726

Income tax expense (benefit) included in discontinued operations totalled $(58) million in 2014, $(108) million in 2013 and $757 million in 2012.

The assets of the operations held for disposition and the liabilities to be assumed in the disposition related to the businesses noted above, as well as the AbbVie assets and liabilities discussed in Note 2 are classified as held for disposition in the Consolidated Balance Sheet as of December 31, 2014. Prior period balance sheets are not adjusted when a business is designated as being held for sale. The cash flows associated with the developed markets branded generics pharmaceuticals businesses will be included in Abbott's Consolidated Statement of Cash Flows up through the date of disposition. The following is a summary of the assets and liabilities held for disposition:

(in millions) December 31	2014	2013
Trade receivables, net	$ 498	$163
Total inventories	254	243
Prepaid expenses, deferred income taxes, and other receivables	140	32
Current assets held for disposition	892	438
Net property and equipment	125	28
Intangible assets, net of amortization	804	–
Goodwill	950	–
Deferred income taxes and other assets	55	38
Non-current assets held for disposition	1,934	66
Total assets held for disposition	2,826	504
Trade accounts payable	423	285
Salaries, wages, commissions and other accrued liabilities	257	101
Current liabilities held for disposition	680	386
Post-employment obligations, deferred income taxes and other long-term liabilities	108	7
Total liabilities held for disposition	$ 788	$393

NOTE 4—SUPPLEMENTAL FINANCIAL INFORMATION

Other (income) expense, net, for 2014 primarily relates to impairment charges related to non-publically traded equity securities partially offset by gains from the sales of equity securities. The loss on the extinguishment of debt of $18 million in 2014 and $1.35 billion in 2012 relates to the early redemption of approximately $500 million and $7.7 billion of long-term notes, respectively. The loss in 2012 consists of the premium paid on the notes and the write off of deferred financing costs totaling $1.83 billion and was partially offset by a gain of $479 million related to the unwinding of interest rate swaps related to a portion of the debt. The detail of various balance sheet components is as follows:

(in millions)	2014	2013
Long-term Investments:		
Equity securities	$212	$ 93
Other	17	26
Total	$229	$119

The increase in long-term investments from December 31, 2013 to December 31, 2014 is due primarily to the acquisition of CFR Pharmaceuticals in 2014.

(in millions)	2014	2013
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 88	$ 136
Accrued other rebates (a)	239	220
All other (b)	2,616	3,144
Total	$2,943	$3,500

(a) Accrued wholesaler chargeback rebates of $50 million and $90 million at December 31, 2014 and 2013, 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.

(b) 2013 includes acquisition consideration payable of approximately $400 million related primarily to the acquisition of Piramal Healthcare Limited's Healthcare Solutions business.

(in millions)	2014	2013
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$2,875	$1,818
Deferred income taxes	860	466
All other (c)	1,853	2,500
Total	$5,588	$4,784

(c) 2014 includes $1.3 billion of gross unrecognized tax benefits, as well as approximately $220 million of acquisition consideration payable. 2013 includes $1.3 billion of gross unrecognized tax benefits, as well as $70 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. In 2014, Abbott continued to use the official rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela. Abbott cannot predict whether there will be a devaluation of the Venezuelan bolivar or whether it will continue to be able to exchange bolivars at the 6.3 rate. As of December 31, 2014, Abbott had net monetary assets that are subject to revaluation in Venezuela of approximately $240 million. In 2014, revenue from operations in Venezuela represented approximately 2% of Abbott's total net sales.

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NOTE 5—ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains on Marketable Equity Securities	Cumulative Gains on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2012	$ (79)	$(3,596)	$ 31	$ 50	$(3,594)
Separation of AbbVie	(400)	1,402	–	8	1,010
Other comprehensive income (loss) before reclassifications	(239)	771	22	(23)	531
Income (loss) amounts reclassified from accumulated other comprehensive income (a)	–	111	(40)	(30)	41
Net current period comprehensive income (loss)	(239)	882	(18)	(53)	572
Balance at December 31, 2013	(718)	(1,312)	13	5	(2,012)
Other comprehensive income (loss) before reclassifications	(2,206)	(970)	4	106	(3,066)
Income (loss) amounts reclassified from accumulated other comprehensive income (a)	–	53	(16)	(12)	25
Net current period comprehensive income (loss)	(2,206)	(917)	(12)	94	(3,041)
Balance at December 31, 2014	$(2,924)	$(2,229)	$ 1	$ 99	$(5,053)

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

NOTE 6—BUSINESS ACQUISITIONS

In September 2014, Abbott completed the acquisition of the controlling interest in CFR Pharmaceuticals S.A. (CFR) for approximately $2.9 billion in cash ($2.8 billion net of CFR cash on hand at closing). Including the assumption of approximately $570 million of debt, the total cost of the acquisition was $3.4 billion. The acquisition of CFR more than doubles Abbott's branded generics pharmaceutical presence in Latin America and further expands its presence in emerging markets. CFR's financial results are included in Abbott's financial statements beginning on September 26, 2014, the date that Abbott acquired control of this business. The impact of the acquired operations on Abbott's operating results was not significant for 2014. Abbott owns 99.9% of the outstanding ordinary shares of CFR. The fair value of the non-controlling interest at the acquisition date was approximately $3 million. The acquisition was funded with cash and cash equivalents and short-term investments. The preliminary allocation of the fair value of the acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

(in billions)	
Acquired intangible assets, non-deductible	$ 1.80
Goodwill, non-deductible	1.59
Acquired net tangible assets	0.07
Deferred income taxes recorded at acquisition	(0.54)
Total preliminary allocation of fair value	$ 2.92

Acquired intangible assets consist primarily of product rights for currently marketed products and are amortized over 12 to 16 years (average of 15 years). The goodwill is primarily attributable to intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Established Pharmaceutical Products segment. The acquired tangible assets consist primarily of cash and cash equivalents of approximately $94 million, trade accounts receivable of approximately $179 million, inventory of approximately $177 million, other current assets of approximately $51 million, property and equipment of approximately $214 million, and other long-term assets of approximately $138 million. Assumed liabilities consist of borrowings of approximately $570 million, trade accounts payable and other current liabilities of approximately $192 million and other noncurrent liabilities of approximately $15 million.

Annualized net sales for CFR Pharmaceuticals are expected to total approximately $800 million. Had the acquisition of CFR Pharmaceuticals taken place on January 1, 2013, the consolidated net sales and earnings of Abbott would not have been significantly different from the reported amounts.

In December 2014, Abbott acquired control of Veropharm, a leading Russian pharmaceutical company for approximately $315 million excluding assumed debt. Through this acquisition, Abbott establishes a manufacturing footprint in Russia and obtains a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus. Abbott acquired control of Veropharm through its purchase of Limited Liability Company Garden Hills, the holding company that owns

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approximately 98 percent of Veropharm. Including the assumption of approximately $90 million of debt and a minority interest with a fair value of $5 million, the total value of the acquired business was approximately $410 million. The preliminary allocation of the fair value of the acquisition resulted in definite-lived non-deductible intangible assets of approximately $120 million, non-deductible goodwill of approximately $60 million, and net deferred tax liabilities of approximately $35 million. Non-deductible goodwill is identifiable with the Established Pharmaceutical Products segment. Additionally, Abbott acquired property, plant, and equipment of approximately $185 million, accounts receivable of approximately $45 million, inventory of approximately $25 million, and other assets of approximately $10 million. Acquired intangible assets consist of developed technology and are being amortized over 16 years.

In December 2014, Abbott completed the acquisition of Topera, Inc. for approximately $250 million in cash, plus additional payments up to $300 million to be made upon completion of certain regulatory and sales milestones. The acquisition of Topera provides Abbott a foundational entry in the electrophysiology market. The allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $20 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangibles assets of approximately $325 million, non-deductible goodwill of approximately $190 million, net deferred tax liabilities of approximately $120 million, and contingent consideration of approximately $165 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and trademarks, and are being amortized over 16 years.

The preliminary allocations of fair value of the above acquisitions will be finalized when valuations are completed. Had the aggregate of the above acquisitions taken place on January 1, 2013, consolidated net sales and earnings would not have been significantly different from reported amounts.

In August 2013, Abbott acquired 100 percent of IDEV Technologies, net of debt, for $310 million, in cash. The acquisition of IDEV Technologies expands Abbott's endovascular portfolio. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $170 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $66 million, non-deductible goodwill of approximately $112 million and net deferred tax liabilities of $47 million. Acquired intangible assets consist of developed technology and are being amortized over 11 years.

In August 2013, Abbott acquired 100 percent of OptiMedica for $260 million, in cash, plus additional payments up to $150 million to be made upon completion of certain development, regulatory and sales milestones. The acquisition of OptiMedica provides Abbott with an immediate entry point into the laser assisted cataract surgery market. The final allocation of the fair value of the acquisition resulted in non-deductible definite-lived intangible assets of approximately $160 million; non-deductible acquired in-process research and development of approximately $60 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation; non-deductible goodwill of approximately $130 million, net deferred tax liabilities of $49 million and contingent consideration of approximately $70 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist primarily of developed technology that is being amortized over 18 years.

NOTE 7—GOODWILL AND INTANGIBLE ASSETS

In 2014, Abbott recorded goodwill of approximately $1.8 billion related to the acquisitions of CFR Pharmaceuticals, Veropharm and Topera; recognized purchase price allocation adjustments associated with other recent acquisitions decreased goodwill by approximately $30 million; and approximately $950 million of goodwill was moved to Non-current assets held for disposition due to the planned disposition of the developed markets branded generics pharmaceuticals business. The goodwill related to the acquisitions of CFR and Veropharm was allocated to the Established Pharmaceuticals segment. Abbott recorded goodwill of approximately $274 million in 2013 related to the acquisitions of IDEV Technologies and OptiMedica. Goodwill related to the IDEV acquisition was allocated to the Vascular Products segment and goodwill related to OptiMedica was allocated to a non-reportable segment. Foreign currency translation and other adjustments decreased goodwill in 2014 and 2013 by $566 million and $168 million, respectively, and increased goodwill in 2012 by $69 million. In addition, in connection with the separation of AbbVie on January 1, 2013, Abbott transferred approximately $6.1 billion of goodwill to AbbVie. The amount of goodwill related to reportable segments at December 31, 2014 was $3.3 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $445 million for the Diagnostic Products segment, and $2.9 billion for the Vascular Products segment. Other than the effects of the separation of AbbVie, there were no reductions of goodwill relating to the disposal of all or a portion of a business. There was no reduction of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was $11.0 billion and $12.2 billion as of December 31, 2014 and 2013, respectively, and accumulated amortization was $4.9 billion and $6.8 billion as of December 31, 2014 and 2013, respectively. Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $134 million and $265 million at December 31, 2014 and 2013, respectively. In 2014, the acquisition of CFR Pharmaceuticals increased intangible assets by approximately $1.8 billion. Approximately $804 million of net intangible assets related to the developed markets branded generics pharmaceuticals businesses was reclassified to Non-current assets held for disposition due to the planned disposition of this business. Gross amortizable intangible assets, accumulated amortization and indefinite-lived intangible assets of $5.7 billion, $3.8 billion and $417 million, respectively, were transferred to AbbVie as part of the separation on January 1, 2013. In 2012, Abbott recorded an impairment charge of $69 million for certain research and development assets due to changes in the projected

development and regulatory timelines for the projects. The charges relate to non-reportable segments. Discounted cash flow analysis was used to analyze fair value and the charges are included in research and development expenses.

The estimated annual amortization expense for intangible assets recorded at December 31, 2014 is approximately $696 million in 2015, $676 million in 2016, $657 million in 2017, $557 million in 2018 and $484 million in 2019. Amortizable intangible assets are amortized over 2 to 20 years (average 12 years).

NOTE 8—RESTRUCTURING PLANS

In 2014, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including nutritional and established pharmaceuticals businesses. Abbott recorded employee related severance and other charges of approximately $164 million in 2014. Approximately $20 million is recognized in Cost of products sold, $53 million is recognized in Research and development and approximately $91 million is recognized in Selling, general and administrative expense. Additional charges of approximately $39 million in 2014 were also recorded primarily for accelerated depreciation.

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2014	$164
Payments and other adjustments	(46)
Accrued balance at December 31, 2014	$118

In 2014 and 2013, Abbott management approved plans to reduce costs and improve efficiencies across various functional areas as well as a plan to streamline certain manufacturing operations in order to reduce costs and improve efficiencies in Abbott's established pharmaceuticals business. In addition, in 2012, Abbott management approved plans to streamline various commercial operations in order to reduce costs and improve efficiencies in Abbott's core diagnostics, established pharmaceutical and nutritionals businesses. Abbott recorded employee related severance charges of approximately $125 million in 2014, $78 million in 2013 and $167 million in 2012. Approximately $7 million in 2014, $14 million in 2013 and $48 million in 2012 are recognized in Cost of products sold, $6 million is recognized in Research and development in 2014, and approximately $112 million in 2014, $32 million in 2013 and $48 million in 2012 recognized as Selling, general and administrative expense. The remaining charges of $32 million in 2013 and $71 million in 2012 are related to Abbott's developed market established pharmaceutical business and are being recognized in the results of discontinued operations. Additional charges of approximately $4 million in 2013 and $22 million in 2012 were also recorded primarily for accelerated depreciation.

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2012	$ 167
Restructuring charges recorded in 2013	78
Payments and other adjustments	(97)
Accrued balance at December 31, 2013	148
Restructuring charges recorded in 2014	125
Payments and other adjustments	(138)
Accrued balance at December 31, 2014	$ 135

In 2013 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2013, Abbott recorded employee severance charges of approximately $11 million. In 2011, Abbott recorded charges reflecting the impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $11 million in 2013 is classified as Cost of products sold. An additional $41 million and $110 million were recorded in 2013 and 2012, respectively, relating to these restructurings, primarily for accelerated depreciation.

The following summarizes the activity for these restructurings:

(in millions)	
Accrued balance at December 31, 2011	$177
Payments, impairments and other adjustments	(48)
Accrued balance at December 31, 2012	129
Transfer of liability to AbbVie	(62)
Restructuring charges	11
Payments and other adjustments	(58)
Accrued balance at December 31, 2013	20
Payments and other adjustments	(2)
Accrued balance at December 31, 2014	$ 18

In 2012 and 2010, Abbott management approved restructuring plans primarily related to the acquisition of Solvay's pharmaceuticals business. These plans streamline operations, improve efficiencies and reduce costs in certain Solvay sites and functions as well as in certain Abbott and Solvay commercial organizations in various countries. In 2012, Abbott recorded a charge of approximately $150 million for employee severance and contractual obligations, primarily related to the exit from a research and development facility. These charges are related to businesses transferred to AbbVie and are being recognized in the results of discontinued operations. The accrued restructuring reserves of $115 million at December 31, 2012 related to these actions were transferred to AbbVie on January 1, 2013 as part of the separation. As such, there are no remaining accruals being reported in Abbott's balance sheet as of December 31, 2013.

In 2011 and 2008, Abbott management approved plans to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott's core diagnostic business and recorded charges for severance and other related costs. In addition, charges of approximately $16 million were recorded in 2012, primarily for accelerated depreciation and product transfer costs.

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The following summarizes the activity for these restructurings:

(in millions)	
Accrued balance at December 31, 2011	$ 79
Payments and other adjustments	(23)
Accrued balance at December 31, 2012	56
Payments and other adjustments	(15)
Accrued balance at December 31, 2013	41
Payments and other adjustments	(20)
Accrued balance at December 31, 2014	$ 21

NOTE 9—INCENTIVE STOCK PROGRAM

The 2009 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 2014, Abbott granted 3,905,076 stock options, 584,354 restricted stock awards and 5,434,799 restricted stock units under this program.

The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options generally vest equally over three years. Restricted stock awards generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period. 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 connection with the separation of AbbVie on January 1, 2013, Abbott modified its outstanding equity awards granted under incentive stock programs for its employees. The awards were generally modified such that immediately following the separation; the awardees held the same number of awards in Abbott stock and an equal number of awards in AbbVie stock. The exercise price on outstanding Abbott options was adjusted and the exercise price on the AbbVie options granted under this modification was established with the intention of generally preserving the value of the awards immediately prior to the separation. This modification did not result in additional compensation expense.

At December 31, 2014, approximately 110 million shares were reserved for future grants.

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2014 and December 31, 2013 was 12,671,328 and $35.48 and 14,385,221 and $30.13, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2014 were 6,235,730 and $39.20, 7,204,498 and $28.13 and 745,125 and $34.31, respectively. The fair market value of restricted stock awards and units vested in 2014, 2013 and 2012 was $281 million, $274 million and $385 million, respectively.

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2013	42,757,340	$26.15	4.0	36,185,039	$25.02	3.1
Granted	3,905,076	39.20				
Exercised	(9,645,856)	24.85				
Lapsed	(219,860)	33.97				
December 31, 2014	36,796,700	$27.83	4.1	29,276,499	$25.60	3.0

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2014 was $634 million and $570 million, respectively. The total intrinsic value of options exercised in 2014, 2013 and 2012 was $152 million, $120 million and $528 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2014 amounted to approximately $150 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 2014, 2013 and 2012 for share-based plans totaled approximately $239 million, $254 million and $278 million, respectively, and the tax benefit recognized was approximately $79 million, $82 million and $85 million, respectively. Stock compensation cost capitalized as part of inventory is not significant.

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The fair value of an option granted in 2014, 2013 and 2012 was $6.39, $5.77, and $6.80, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2014	2013	2012
Risk-free interest rate	1.9%	1.1%	1.2%
Average life of options (years)	6.0	6.0	6.0
Volatility	20.0%	20.0%	21.0%
Dividend yield	2.2%	1.6%	3.6%

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

NOTE 10—DEBT AND LINES OF CREDIT

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

(in millions)	2014	2013
5.125% Notes, due 2019	$ 947	$ 947
4.125% Notes, due 2020	597	597
6.15% Notes, due 2037	547	547
6.0% Notes, due 2039	515	515
5.3% Notes, due 2040	694	694
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	108	88
Total, net of current maturities	3,408	3,388
Current maturities of long-term debt	55	9
Total carrying amount	$3,463	$3,397

In 2014, Abbott extinguished approximately $500 million of long-term debt assumed as part of the CFR Pharmaceuticals acquisition and incurred a cost of $18.3 million to extinguish this debt. In 2012, Abbott redeemed $7.7 billion of its outstanding notes. Abbott incurred a cost of $1.35 billion to extinguish this debt, net of gains from the unwinding of interest rate swaps related to the debt. In 2012, AbbVie Inc., a wholly owned subsidiary of Abbott, issued $14.7 billion of long-term debt with maturities ranging from 3 to 30 years. The debt issued by AbbVie Inc. was guaranteed by Abbott with the guarantee expiring when AbbVie Inc. separated from Abbott on January 1, 2013.

Principal payments required on long-term debt outstanding at December 31, 2014 are $55 million in 2015, $8 million in 2016, $11 million in 2017, $2 million in 2018, $1.0 billion in 2019 and $2.4 billion in 2020 and thereafter.

At December 31, 2014, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $5.0 billion that support commercial paper borrowing arrangements which expire in 2019. Abbott's weighted-average interest rate on short-term borrowings was 0.2% at December 31, 2014 and 2013 and 0.4% at December 31, 2012.

NOTE 11—FINANCIAL INSTRUMENTS, DERIVATIVES AND FAIR VALUE MEASURES

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, totaling $1.5 billion at December 31, 2014, and $137 million at December 31, 2013, 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. Contracts totaling $1.0 billion were transferred to AbbVie as part of the separation on January 1, 2013. Accumulated gains and losses as of December 31, 2014 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months. The amount of hedge ineffectiveness was not significant in 2014, 2013 and 2012.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. At December 31, 2014, 2013 and 2012, Abbott held $14.1 billion, $13.8 billion and $18.2 billion, respectively, of such foreign currency forward exchange contracts. Contracts totaling $4.3 billion were transferred to AbbVie as part of the separation on January 1, 2013.

Abbott has designated foreign denominated short-term debt as a hedge of the net investment in a foreign subsidiary of approximately $445 million, $505 million and $615 million as of December 31, 2014, 2013 and 2012, respectively. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling $1.5 billion at December 31, 2014 and December 31, 2013, and $9.5 billion at December 31, 2012, to manage its exposure to changes in the fair value of fixed-rate debt. $8.0 billion of the contracts outstanding at December 31, 2012 related to debt issued by AbbVie Inc. in the fourth quarter of 2012 and were transferred to AbbVie as part of the separation on January 1, 2013. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2014, 2013 and 2012 for these hedges.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $3 million, $22 million and $51 million at December 31, 2014, 2013 and 2012, respectively.

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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)	2014	2013	Balance Sheet Caption	2014	2013	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$101	$ 87	Deferred income taxes and other assets	$ –	$ –	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts— Hedging instruments	107	14	Other prepaid expenses and receivables	–	–	Other accrued liabilities
Others not designated as hedges	150	70		130	75	
Debt designated as a hedge of net investment in a foreign subsidiary	–	–	N/A	445	505	Short-term borrowings
	$358	$171		$575	$580	

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 the amounts and location of income (expense) and gain (loss) reclassified into income and for certain other derivative financial instruments. The amount of hedge ineffectiveness was not significant in 2014, 2013 and 2012 for these hedges.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2014	2013	2012	2014	2013	2012	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$105	$ 35	$13	$ 11	$ 44	$113	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(60)	110	65	–	–	–	N/A
Interest rate swaps designated as fair value hedges	N/A	N/A	N/A	14	(98)	62	Interest expense
Foreign currency forward exchange contracts not designated as hedges	N/A	N/A	N/A	122	84	125	Net foreign exchange (gain) loss

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

The carrying values and fair values of certain financial instruments as of December 31 are shown in the table below. The carrying values of all other financial instruments approximate their estimated fair values. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	2014		2013	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 212	$ 212	$ 93	$ 93
Other	17	17	26	24
Total Long-term Debt	(3,463)	(4,113)	(3,397)	(3,930)
Foreign Currency Forward Exchange Contracts:				
Receivable position	263	263	84	84
(Payable) position	(135)	(135)	(75)	(75)
Interest Rate Hedge Contracts:				
Receivable position	101	101	87	87

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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, 2014:				
Equity securities	$ 9	$ 9	$ –	$ –
Interest rate swap financial instruments	101	–	101	–
Foreign currency forward exchange contracts	263	–	263	–
Total Assets	$ 373	$ 9	$ 364	$ –
Fair value of hedged long-term debt	$1,637	$ –	$1,637	$ –
Foreign currency forward exchange contracts	135	–	135	–
Contingent consideration related to business combinations	243	–	–	243
Total Liabilities	$2,015	$ –	$1,772	$243
December 31, 2013:				
Equity securities	$ 26	$26	$ –	$ –
Interest rate swap financial instruments	87	–	87	–
Foreign currency forward exchange contracts	84	–	84	–
Total Assets	$ 197	$26	$ 171	$ –
Fair value of hedged long-term debt	$1,623	$ –	$1,623	$ –
Foreign currency forward exchange contracts	75	–	75	–
Contingent consideration related to business combinations	208	–	–	208
Total Liabilities	$1,906	$ –	$1,698	$208

The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

The fair value of the contingent consideration was determined based on independent appraisals adjusted for the time value of money, exchange and other changes in fair value. The contingent consideration results from two acquisitions and the maximum amount due is $450 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals. The increase in contingent consideration during the current year is due to a recent acquisition partially offset by the payment of contingent consideration.

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 $15 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 $70 million to $85 million. The recorded accrual balance at December 31, 2014 for these proceedings and exposures was approximately $80 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)	2014	2013	2014	2013
Projected benefit obligations, January 1	$ 6,432	$11,322	$1,297	$1,889
Service cost—benefits earned during the year	269	303	33	43
Interest cost on projected benefit obligations	317	276	63	59
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	1,554	(650)	187	(156)
Benefits paid	(222)	(185)	(57)	(60)
Separation of AbbVie Inc.	–	(4,654)	–	(450)
Other, including foreign currency translation	(5)	20	(112)	(28)
Projected benefit obligations, December 31	$ 8,345	$ 6,432	$1,411	$1,297
Plan assets at fair value, January 1	$ 6,123	$ 7,949	$ 462	$ 417
Actual return on plans' assets	529	727	32	61
Company contributions	393	724	41	40
Benefits paid	(222)	(185)	(50)	(56)
Separation of AbbVie Inc.	–	(3,107)	–	–
Other, including foreign currency translation	(69)	15	–	–
Plan assets at fair value, December 31	$ 6,754	$ 6,123	$ 485	$ 462
Projected benefit obligations greater than plan assets, December 31	$(1,591)	$ (309)	$ (926)	$ (835)
Long-term assets	$ 374	$ 685	$ –	$ –
Short-term liabilities	(15)	(11)	(1)	–
Long-term liabilities	(1,950)	(983)	(925)	(835)
Net liability	$(1,591)	$ (309)	$ (926)	$ (835)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 3,187	$ 1,791	$ 509	$ 334
Prior service cost (credits)	1	20	(348)	(252)
Total	$ 3,188	$ 1,811	$ 161	$ 82

In connection with separation of AbbVie on January 1, 2013, Abbott transferred to AbbVie Accumulated other comprehensive income (loss), net of income taxes, of approximately $1.4 billion. The projected benefit obligations for non-U.S. defined benefit plans was $2.5 billion and $2.0 billion at December 31, 2014 and 2013, respectively. The accumulated benefit obligations for all defined benefit plans were $7.3 billion and $5.5 billion at December 31, 2014 and 2013, respectively.

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2014 and 2013, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2014	2013
Accumulated benefit obligation	$4,315	$408
Projected benefit obligation	5,133	505
Fair value of plan assets	3,170	–

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

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2014	2013	2012	2014	2013	2012
Service cost—benefits earned during the year	$ 269	$ 303	$ 389	$ 33	$ 43	$ 61
Interest cost on projected benefit obligations	317	276	460	63	59	81
Expected return on plans' assets	(458)	(396)	(611)	(40)	(36)	(33)
Amortization of actuarial losses	103	169	244	16	34	34
Amortization of prior service cost (credits)	2	3	2	(39)	(35)	(42)
Total cost	233	355	484	33	65	101
Less: Discontinued operations	(1)	(3)	(209)	–	–	(48)
Net cost—continuing operations	$ 232	$ 352	$ 275	$ 33	$ 65	$ 53

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 and prior service credits of $1.6 billion for defined benefit plans and $57 million for medical and dental plans in 2014; net actuarial gains and prior service credits of $995 million for defined benefit plans and $201 million for medical and dental plans in 2013; and net actuarial losses of $1.2 billion for defined benefit plans and net actuarial losses of $134 million for medical and dental plans in 2012. The actuarial (loss) for 2012 related to the businesses transferred to AbbVie as part of the separation was $167 million; prior service costs were not significant.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2014 that is expected to be recognized in the net periodic benefit cost in 2015 is $191 million and nil of expense, respectively, for defined benefit pension plans and $33 million of expense and $49 million of income, respectively, for medical and dental plans.

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

	2014	2013	2012
Discount rate	3.9%	4.9%	4.3%
Expected aggregate average long-term change in compensation	4.3%	5.0%	5.3%

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

	2014	2013	2012
Discount rate	4.9%	4.2%	5.0%
Expected return on plan assets	7.5%	7.8%	8.0%
Expected aggregate average long-term change in compensation	4.9%	5.0%	5.3%

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

	2014	2013	2012
Health care cost trend rate assumed for the next year	8%	7%	7%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2025	2019	2019

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 rate represent Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2014, by $208 million/$(168) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $16 million/$(12) million.

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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
December 31, 2014:				
Equities:				
U.S. large cap (a)	$1,615	$ 757	$ 858	$ –
U.S. mid cap (b)	433	142	291	–
International (c)	1,353	445	908	–
Fixed income securities:				
U.S. government securities (d)	449	10	439	–
Corporate debt instruments (e)	573	130	443	–
Non-U.S. government securities (f)	697	286	411	–
Other (g)	130	35	95	–
Absolute return funds (h)	1,631	203	895	533
Commodities (i)	165	10	69	86
Other (j)	193	115	29	49
	$7,239	$2,133	$4,438	$668
December 31, 2013:				
Equities:				
U.S. large cap (a)	$1,618	$ 741	$ 877	$ –
U.S. mid cap (b)	409	134	275	–
International (c)	1,319	608	711	–
Fixed income securities:				
U.S. government securities (d)	453	61	392	–
Corporate debt instruments (e)	378	108	270	–
Non-U.S. government securities (f)	536	305	231	–
Other (g)	77	69	8	–
Absolute return funds (h)	1,474	197	791	486
Commodities (i)	170	6	97	67
Other (j)	151	149	–	2
	$6,585	$2,378	$3,652	$555

(a) A mix of index funds that track the S&P 500 (50 percent in 2014 and 60 percent in 2013) and separate actively managed equity accounts that are benchmarked to the Russell 1000 (50 percent in 2014 and 40 percent in 2013).

(b) A mix of index funds (70 percent in 2014 and 2013) and separate actively managed equity accounts (30 percent in 2014 and 2013) that track or are benchmarked to the S&P 400 midcap index.

(c) A mix of index funds (20 percent in 2014 and 0 percent in 2013) and separate actively managed pooled investment funds (80 percent in 2014 and 100 percent in 2013) that track or are benchmarked to the MSCI EAFE and MSCI emerging market indices.

(d) A mix of index funds that track the Barclays U.S. Gov't Aggregate (65 percent in 2014 and 50 percent in 2013) and separate actively managed accounts (35 percent in 2014 and 50 percent in 2013) that are benchmarked to Barclays U.S. Long Gov't/Corp Index or the Barclays Global Aggregate.

(e) A mix of index funds that track the Barclays U.S. Gov't Aggregate (15 percent in 2014 and 40 percent in 2013) and separate actively managed accounts (85 percent in 2014 and 60 percent in 2013) that are benchmarked to Barclays U.S. Long Gov't/Corp Index or the Barclays Global Aggregate.

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

(g) Primarily mortgage backed securities (40 percent in 2014 and 100 percent in 2013) and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor/Euribor (60 percent in 2014 and 0 percent in 2013).

(h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.

(i) Primarily investments in liquid commodity future contracts and private energy funds.

(j) Primarily cash and cash equivalents (75 percent in 2014 and 100 percent in 2013) and investment in real estate funds (25 percent in 2014 and 0 percent in 2013).

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Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the net asset value (NAV) provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry-recognized vendors. Absolute return funds and commodities are valued at the NAV provided by the fund administrator. Private energy funds are valued at the NAV provided by the partnership on a one-quarter lag adjusted for known cash flows and significant events through the reporting date.

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

(in millions)	2014	2013
January 1	$555	$ 783
Transfers in (out of) from other categories	–	6
Separation of AbbVie Inc.	–	(165)
Actual return on plan assets:		
Assets on hand at year end	25	29
Assets sold during the year	21	51
Purchases, sales and settlements, net	67	(149)
December 31	$668	$ 555

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. 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 $393 million in 2014 and $724 million in 2013 to defined pension plans. Abbott expects to contribute approximately $585 million to its pension plans in 2015, of which approximately $470 million relates to its main domestic pension plan.

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
2015	$ 212	$ 70
2016	225	71
2017	240	72
2018	259	73
2019	278	74
2020 to 2024	1,735	407

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $85 million in 2014, $86 million in 2013 and $150 million in 2012. The contribution amount in 2012 included amounts associated with the businesses transferred to AbbVie.

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 2014, taxes on earnings from continuing operations reflect the recognition of $440 million of tax expense associated with a one-time repatriation of 2014 non-U.S. earnings, partially offset by the favorable resolution of various tax positions and adjustments of tax uncertainties pertaining to prior years. Earnings from discontinued operations in 2014 include the recognition of $166 million of tax benefits as a result of the resolution of various tax positions related to AbbVie's operations prior to the separation. In 2013, taxes on earnings from continuing operations reflect the recognition of $230 million of tax benefits as a result of the favorable resolution of various tax positions pertaining to prior years. Earnings from discontinued operations in 2013 include the recognition of $193 million of tax benefits as a result of the resolution of various tax positions related to AbbVie's operations prior to the separation. In addition, as a result of the American Taxpayer Relief Act of 2012 signed into law in January 2013, Abbott recognized a tax benefit in the tax provision related to continuing operations of approximately $103 million for the retroactive extension of the research tax credit and the look-through rules of section 954(c)(6) of the Internal Revenue Code to the beginning of 2012. The $1.58 billion domestic loss before taxes in 2012 includes $1.29 billion of net loss on the early extinguishment of debt.

U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $23.0 billion at December 31, 2014. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. In the U.S., Abbott's federal income tax returns through 2011 are settled except for four items, and the income tax returns for years after 2011 are open. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

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

(in millions)	2014	2013	2012
Earnings (Loss) From Continuing Operations Before Taxes:			
Domestic	$ 392	$ 496	$(1,581)
Foreign	2,126	1,545	1,361
Total	$2,518	$2,041	$ (220)

(in millions)	2014	2013	2012
Taxes on Earnings (Losses) From Continuing Operations:			
Current:			
Domestic	$ 27	$ 4	$ (44)
Foreign	468	482	819
Total current	495	486	775
Deferred:			
Domestic	298	(308)	(572)
Foreign	4	(125)	(660)
Total deferred	302	(433)	(1,232)
Total	$ 797	$ 53	$ (457)

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

	2014	2013	2012
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Impact of foreign operations	0.7	(18.5)	105.1
Resolution of certain tax positions pertaining to prior years	(4.2)	(11.3)	96.2
Effect of retroactive legislation	–	(5.0)	–
State taxes, net of federal benefit	(0.5)	2.1	(4.6)
All other, net	0.6	0.3	(24.0)
Effective tax rate on earnings from continuing operations	31.6%	2.6%	207.7%

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, Singapore, and the Netherlands. In 2014, this benefit was more than offset by the tax expense accrued as a result of Abbott's one-time repatriation of its current year foreign earnings.

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

(in millions)	2014	2013
Deferred tax assets:		
Compensation and employee benefits	$ 1,239	$ 862
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,759	2,908
Trade receivable reserves	146	155
Inventory reserves	152	137
Deferred intercompany profit	330	274
State income taxes	178	196
Total deferred tax assets	4,804	4,532
Deferred tax liabilities:		
Depreciation	(93)	(72)
Other, primarily the excess of book basis over tax basis of intangible assets	(2,491)	(1,774)
Total deferred tax liabilities	(2,584)	(1,846)
Total net deferred tax assets	$ 2,220	$ 2,686

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset. Valuation allowances for recorded deferred tax assets were not significant.

The 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)	2014	2013
January 1	$1,965	$2,257
Increase due to current year tax positions	220	244
Increase due to prior year tax positions	153	152
Decrease due to prior year tax positions	(856)	(541)
Lapse of statute	–	(23)
Settlements	(79)	(124)
December 31	$1,403	$1,965

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.3 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease by $525 million to $635 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

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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. As a result of the separation of AbbVie, Abbott no longer has a Proprietary Pharmaceutical Products segment and this business has been removed from the 2012 historical information presented below. In July 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan. This business was previously included in the Established Pharmaceutical Products segment. The segment information below, including prior period amounts, has been adjusted to reflect the classification of the developed markets branded generics pharmaceuticals business as part of discontinued operations in the Consolidated Statement of Earnings. Abbott's reportable segments are as follows:

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

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

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

Vascular Products—Worldwide sales of coronary, endovascular, structural heart, vessel closure and other medical device products.

Non-reportable segments include the Diabetes Care and Medical Optics segments.

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)	2014	2013	2012	2014	2013	2012
Established Pharmaceuticals	$ 3,118	$ 2,862	$ 2,769	$ 624	$ 551	$ 531
Nutritionals	6,953	6,740	6,461	1,459	1,263	1,020
Diagnostics	4,721	4,545	4,292	1,079	1,008	825
Vascular	2,986	3,012	3,071	1,091	962	1,020
Total Reportable Segments	17,778	17,159	16,593	$4,253	$3,784	$3,396
Other	2,469	2,498	2,457			
Total	$20,247	$19,657	$19,050			

(a) Net sales and operating earnings were unfavorably affected by the relatively stronger U.S. dollar in 2014, 2013 and 2012.

(in millions)	2014	2013	2012
Total Reportable Segment Operating Earnings	$4,253	$3,784	$ 3,396
Corporate functions and benefit plans costs	(342)	(514)	(593)
Non-reportable segments	439	430	449
Net interest expense	(73)	(78)	(261)
Net loss on extinguishment of debt	(18)	–	(1,351)
Share-based compensation	(239)	(254)	(278)
Amortization of intangible assets	(555)	(588)	(595)
Other, net (b)	(947)	(739)	(987)
Earnings (Loss) from Continuing Operations before Taxes	$2,518	$2,041	$ (220)

(b) Other, net includes: charges for cost reduction initiatives of approximately $290 million in 2014, $350 million in 2013 and charges of $430 million in 2012.

	Depreciation (c)			Additions to Long-term Assets			Total Assets		
(in millions)	2014	2013	2012	2014	2013	2012	2014	2013	2012
Established Pharmaceuticals	$ 72	$ 63	$ 135	$ 136	$ 128	$ 237	$ 2,244	$1,445	$1,382
Nutritionals	173	190	175	174	340	428	3,435	3,518	3,211
Diagnostics	314	368	295	349	394	349	2,964	3,312	3,286
Vascular	84	122	76	28	62	69	1,529	1,711	1,834
Total Reportable Segments	643	743	681	687	924	1,083	$10,172	$9,986	$9,713
Other	275	185	682	4,603	981	902			
Total	$918	$928	$1,363	$5,290	$1,905	$1,985			

(c) Amounts in Other include depreciation related to discontinued operations.

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(in millions)	2014	2013	2012
Total Reportable Segment Assets	$10,172	$ 9,986	$ 9,713
Cash, investments and restricted funds (d)	4,689	8,217	15,448
Current deferred income taxes (d)	1,705	2,528	2,986
Non-reportable segments	1,211	1,153	1,141
Goodwill and intangible assets (d)	16,265	15,507	24,362
All other (d)(e)	7,233	5,562	13,585
Total Assets	$41,275	$42,953	$67,235

(d) In 2012, the reported amounts include assets associated with the businesses transferred to AbbVie as part of the separation.

(e) Includes amounts related to developed markets established pharmaceuticals and animal health.

	Net Sales to External Customers (f)			Long-term Assets		
(in millions)	2014	2013	2012	2014	2013	2012 (g)
United States	$ 6,123	$ 6,208	$ 6,242	$ 7,103	$ 7,884	$15,244
China	1,321	1,083	859	366	356	259
India	1,009	922	919	2,987	3,080	3,467
Germany	978	963	837	887	1,040	6,173
Japan	968	1,042	1,221	786	902	1,169
The Netherlands	788	960	1,107	569	560	532
Switzerland	707	792	693	2,067	1,117	1,214
Russia	536	525	485	159	30	37
Brazil	508	470	448	197	216	200
France	488	480	453	302	213	220
Canada	462	493	471	196	368	352
United Kingdom	447	395	396	1,301	1,380	1,345
Italy	436	457	412	83	100	222
Spain	310	276	283	281	326	314
All Other Countries	5,166	4,591	4,224	8,730	6,134	5,164
Consolidated	$20,247	$19,657	$19,050	$26,014	$23,706	$35,912

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

(g) Amounts reported in 2012 include assets associated with businesses transferred to AbbVie as part of the separation.

NOTE 16—QUARTERLY RESULTS (UNAUDITED)

(in millions except per share data)	2014	2013
First Quarter		
Continuing Operations:		
Net Sales	$4,755	$4,847
Gross Profit	2,354	2,479
Earnings from Continuing Operations	224	464
Basic Earnings per Common Share	0.15	0.29
Diluted Earnings per Common Share	0.14	0.29
Net Earnings	375	545
Basic Earnings Per Common Share (a)	0.24	0.35
Diluted Earnings Per Common Share (a)	0.24	0.34
Market Price Per Share—High	40.49	35.34
Market Price Per Share—Low	35.65	31.64
Second Quarter		
Continuing Operations:		
Net Sales	$5,057	$4,933
Gross Profit	2,636	2,429
Earnings from Continuing Operations	425	397
Basic Earnings per Common Share	0.28	0.25
Diluted Earnings per Common Share	0.28	0.25
Net Earnings	466	476
Basic Earnings Per Common Share (a)	0.30	0.30
Diluted Earnings Per Common Share (a)	0.30	0.30
Market Price Per Share—High	41.30	38.77
Market Price Per Share—Low	36.65	34.69
Third Quarter		
Continuing Operations:		
Net Sales	$5,079	$4,805
Gross Profit	2,628	2,417
Earnings from Continuing Operations	438	644
Basic Earnings per Common Share	0.29	0.41
Diluted Earnings per Common Share	0.29	0.41
Net Earnings	538	966
Basic Earnings Per Common Share (a)	0.36	0.62
Diluted Earnings Per Common Share (a)	0.36	0.61
Market Price Per Share—High	44.20	37.16
Market Price Per Share—Low	40.92	32.70
Fourth Quarter		
Continuing Operations:		
Net Sales	$5,356	$5,072
Gross Profit	2,856	2,551
Earnings from Continuing Operations	634	483
Basic Earnings per Common Share	0.42	0.31
Diluted Earnings per Common Share	0.41	0.31
Net Earnings	905	589
Basic Earnings Per Common Share (a)	0.59	0.38
Diluted Earnings Per Common Share (a)	0.59	0.37
Market Price Per Share—High	46.50	38.81
Market Price Per Share—Low	39.28	32.75

(a) The sum of the four quarters of earnings per share for 2014 and 2013 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2014. In making this assessment, it used the criteria set forth in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As allowed by SEC guidance, management excluded from its assessment the September 2014 acquisition of the controlling interest in CFR Pharmaceuticals S.A. which accounted for approximately 10% of Abbott's total assets and 1% of Abbott's total net sales from continuing operations as of and for the year ended December 31, 2014. Based on our assessment, we believe that, as of December 31, 2014, 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 58.

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

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

Robert E. Funck
Vice President, Controller

February 27, 2015

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheet of Abbott Laboratories and subsidiaries as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Abbott Laboratories and subsidiaries at December 31, 2014, and the consolidated results of their operations and their cash flows for the year ended December 31, 2014, 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), Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2014, 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 27, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP
Chicago, Illinois
February 27, 2015

The Board of Directors and Shareholders of Abbott Laboratories:

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2014, 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). Abbott Laboratories and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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.

As indicated in the accompanying Management Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the acquired CFR Pharmaceuticals S.A. business, which is included in the 2014 consolidated financial statements of Abbott Laboratories and subsidiaries and constituted approximately 10% of consolidated total assets as of December 31, 2014 and 1% of consolidated net sales for the year then ended. Our audit of internal control over financial reporting of Abbott Laboratories and subsidiaries also did not include an evaluation of the internal control over financial reporting of CFR Pharmaceuticals S.A.

In our opinion, Abbott Laboratories and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Abbott Laboratories and subsidiaries as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for the year ended December 31, 2014 of Abbott Laboratories and subsidiaries and our report dated February 27, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP
Chicago, Illinois
February 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheet of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2013, and the related consolidated statements of earnings, comprehensive income, shareholders' investment, and cash flows for each of the two years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the accompanying 2013 and 2012 financial statements have been retrospectively adjusted to reflect the developed markets branded generics pharmaceuticals and the animal health businesses as discontinued operations. In addition, as discussed in Note 2 to the consolidated financial statements, on January 1, 2013, the Company distributed all of the outstanding shares of AbbVie Inc., which encompasses the Company's research-based pharmaceuticals business, to the Company's shareholders.

Deloitte & Touche LLP
Chicago, Illinois
February 21, 2014
(February 27, 2015 as to Note 3)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

MARKET PRICE SENSITIVE INVESTMENTS

Abbott holds available-for-sale equity securities from strategic technology acquisitions. The fair value of these investments was approximately $9 million and $26 million as of December 31, 2014 and 2013, respectively. The decrease is due to the sale of securities. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in value occurs. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2014 by approximately $1 million. (A 20 percent decrease is believed to be a reasonably possible near-term change in share prices.)

NON-PUBLICLY TRADED EQUITY SECURITIES

Abbott holds equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately $100 million and $67 million as of December 31, 2014 and 2013, respectively. No individual investment is recorded at a value in excess of $25 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated value occurs.

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS

At December 31, 2014 and 2013, Abbott had interest rate hedge contracts totaling $1.5 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. At December 31, 2014, Abbott had $3.9 billion of domestic commercial paper outstanding with an average annual interest rate of 0.12% with an average remaining life of 36 days. The fair value of long-term debt at December 31, 2014 and 2013 amounted to $4.1 billion and $3.9 billion, respectively (average interest rates of 5.3% and 5.3% as of December 31, 2014 and 2013, respectively) with maturities through 2040. At December 31, 2014 and 2013, the fair value of current and long-term investment securities amounted to approximately $626 million and $4.7 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

FOREIGN CURRENCY SENSITIVE FINANCIAL INSTRUMENTS

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in foreign currency exchange rates and are marked-to-market with the resulting gains or losses reflected in Accumulated other comprehensive income (loss). Gains or losses will be included in Cost of products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2014 and 2013, Abbott held $1.5 billion and $137 million, respectively, of such contracts. Contracts held at December 31, 2014 will mature in 2015 or 2016 depending upon the contract. Contracts held at December 31, 2013 matured in 2014.

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, 2014 and 2013, Abbott held $14.1 billion and $13.8 billion, respectively, of such contracts, which generally mature in the next twelve months.

Abbott has designated foreign denominated short-term debt of approximately $445 million and approximately $505 million as of December 31, 2014 and 2013, respectively, as a hedge of the net investment in a foreign subsidiary. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2014 and 2013:

	2014			2013		
(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)
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$ 7,574	1.2458	$ 19	$ 6,208	1.3735	$ (4)
British Pound	1,295	1.5790	9	1,181	1.6240	1
Japanese Yen	2,258	115.0311	56	1,865	99.0000	12
Canadian Dollar	371	1.1197	13	191	1.0600	1
All other currencies	4,064	N/A	31	4,446	N/A	(1)
Total	$15,562		$128	$13,891		$ 9

FINANCIAL REVIEW

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are nutritional products, branded generic pharmaceuticals, diagnostic testing products and vascular products. Sales in international markets comprise approximately 70 percent of consolidated net sales.

In July 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million shares of a newly formed publically traded entity that will combine Mylan's existing business and Abbott's developed markets pharmaceuticals business. The sale of this business closed on February 27, 2015. In November 2014, Abbott entered into an agreement to sell its animal health business to Zoetis Inc. The sale of this business closed on February 10, 2015. On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. The historical operating results of these businesses prior to disposition are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations line in Abbott's Consolidated Statement of Earnings. Any assets or liabilities related to these businesses are being reported as held for sale in Abbott's Consolidated Balance Sheet at December 31, 2014. The cash flows of these businesses up through the date of disposition or separation are included in its Consolidated Statements of Cash Flows for all periods presented.

Over the last three years, sales growth and margin improvement was driven primarily by the nutritional and diagnostics businesses. Sales in emerging markets, which represent nearly 50 percent of total company sales, increased 12.5 percent in 2014 and 10.8 percent in 2013, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.) Abbott expanded its operating margin by 200 basis points in 2014 and 380 basis points in 2013. Abbott's sales, costs, and financial position over the same period were impacted by a challenging economic and fiscal environment in several emerging economies and the strengthening of the U.S. dollar relative to several international currencies during 2013 and 2014.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets, as well as by numerous new product introductions that leveraged Abbott's strong brands. At the same time, manufacturing and distribution process changes and other cost reductions drove margin improvements across the business. Operating margins for this business increased from 15.7 percent in 2012 to 21.0 percent in 2014.

In the second half of 2013 and the first two quarters of 2014, sales growth in International Pediatric Nutrition was affected by a product recall initiated in August 2013 in China and two other markets for certain pediatric nutritional products supplied to Abbott by a third-party manufacturer. While there were no health issues associated with the recalled products, and the supplier subsequently determined that the products had been safe for consumption, the recall created significant disruption in these markets. As a result, International Pediatric Nutrition sales were significantly lower than Abbott's previous expectations for this business for the second half of 2013. Abbott initiated investments in the third quarter of 2013 in these markets to rebuild consumer confidence and this business had recovered from this disruption by the beginning of the third quarter of 2014.

In 2014, Abbott increased the local presence of its nutrition business in various countries by investing in its global infrastructure. Abbott opened three new manufacturing plants, one in China, one in India, and one in the United States to meet the demand for its products, and formed a strategic alliance with Fonterra, the world's largest dairy cooperative, to develop a proposed dairy farm hub in China.

In Abbott's worldwide diagnostics business, margin improvement continued to be a key focus in 2014. Operating margins increased from 19.2 percent of sales in 2012 to 22.9 percent in 2014 as the business continued to execute on efficiency initiatives in the manufacturing and supply chain functions. In addition to continued margin improvement, unit growth across geographical regions positively impacted worldwide diagnostic sales. Worldwide sales for this business increased 6.4 percent in 2014 and 8.3 percent in 2013, excluding foreign exchange.

In the Established Pharmaceutical Products segment, Abbott announced in July 2014 that it will sell its developed markets branded generics pharmaceuticals business to Mylan Inc. As a result, the current and prior year operating results of the developed markets branded generics business are reported as part of discontinued operations. Following the close of this transaction, the Established Pharmaceuticals business will operate entirely in emerging markets. On September 26, 2014, Abbott completed its acquisition of a controlling interest in CFR Pharmaceuticals S.A. (CFR). The acquisition of CFR more than doubles Abbott's branded generics pharmaceutical presence in Latin America and further expands its presence in emerging markets. On December 12, 2014, Abbott acquired control of Veropharm, a leading Russian pharmaceutical company. Through this acquisition, Abbott establishes a manufacturing footprint in Russia and obtains a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus.

The growth in Established Pharmaceuticals sales from continuing operations accelerated over the course of 2014 after macroeconomic and market pressures in certain emerging markets impacted this business in 2013. For the year in total, 2014 sales increased 14.9 percent excluding the effect of foreign exchange.

In the vascular business, over the last three years, Abbott has continued to develop its worldwide market-leading *XIENCE* drug-eluting stent (DES) franchise. The *XIENCE* franchise includes *XIENCE V, Prime, nano, Pro, ProX, Xpedition*, and *Alpine*. Abbott Vascular Products' latest product introduction, *XIENCE*

FINANCIAL REVIEW

Alpine, was launched in the U.S. late in the fourth quarter of 2014 and is the only product on the market in the U.S. with an indication to treat chronic total inclusions (CTO). The *XIENCE* franchise maintained its market-leading global position in 2014. In 2014 and 2013, while *MitraClip, Absorb,* and the endovascular franchise contributed to sales growth, total vascular sales were flat, excluding the unfavorable effect of exchange, as volume increases were almost entirely offset by pricing pressures primarily related to DES and other coronary products as well as lower DES market share in the U.S. Operating margins improved from 33.2 percent in 2012 to 36.5 percent in 2014 as cost improvement initiatives were executed across the business.

Abbott's short- and long-term debt totaled $7.8 billion at December 31, 2014. At December 31, 2014, Abbott's long-term debt rating was A+ by Standard and Poor's Corporation and A1 by Moody's Investors Service. In the fourth quarter of 2014, Abbott extinguished approximately $500 million of long-term debt that was assumed as part of the acquisition of CFR and incurred a charge of $18.3 million related to the early repayment of this debt. In the fourth quarter of 2012, Abbott extinguished $7.7 billion of long-term debt and incurred a charge of $1.35 billion related to the early repayment, net of gains from the unwinding of interest rate swaps related to the debt.

Abbott declared dividends of $0.90 per share in 2014 compared to $0.64 per share in 2013, a 40% increase. Dividends paid were $1.342 billion in 2014 compared to $882 million in 2013. The year-over-year change in dividends reflects the impact of the increase in the dividend rate. In December 2014, Abbott increased the company's quarterly dividend to $0.24 per share from $0.22 per share, effective with the dividend paid in February 2015.

In 2015, Abbott will focus on several key initiatives. In the nutritional business, Abbott will continue to build its product portfolio with the introduction of new science-based products, expand in high-growth emerging markets and implement additional margin improvement initiatives. In the established pharmaceuticals business, Abbott will continue to focus on obtaining additional product approvals across numerous countries and increasing its penetration of emerging markets. In the diagnostics business, Abbott will focus on the development of next-generation instrument platforms and other advanced technologies, expansion in emerging markets, and further improvements in the segment's operating margin. In the vascular business, Abbott will continue to focus on marketing products in the coronary and endovascular franchises, and increasing *MitraClip* sales, as well as further clinical development of *ABSORB*, its bioresorbable vascular scaffold (BVS) device and a further penetration of *ABSORB* in numerous countries. In Abbott's other segments, Abbott will focus on developing differentiated technologies in higher growth markets.

CRITICAL ACCOUNTING POLICIES

Sales Rebates—In 2014, approximately 43 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2014 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2014, 2013 and 2012 amounted to approximately $2.1 billion, $1.9 billion and $1.8 billion, respectively, or 19.2 percent, 18.4 percent and 18.3 percent, respectively, based on gross sales of approximately $10.7 billion, $10.5 billion and $9.8 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 $107 million in 2014. 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 $138 million, $146 million and $144 million for cash discounts in 2014, 2013 and 2012, respectively, and $210 million, $208 million and $198 million for returns in 2014, 2013 and 2012, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management has access to several large customers' inventory management data, and for other customers, utilizes data from a third party that measures time on the retail shelf. These sources allow management to make reliable estimates of inventory in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In addition, internal processing time is a factor in estimating the accrual. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably determinable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market research. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2014, Abbott had WIC business in 23 states.

FINANCIAL REVIEW

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 are 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 2011 are settled except for four items, and the income tax returns for years after 2011 are open. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries.

Pension and Post-Employment Benefits—Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for decades, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2014, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of $3.2 billion and $161 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 13 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets—Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value. 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, 2014, goodwill amounted to $10.1 billion and intangibles amounted to $6.2 billion, and amortization expense in continuing operations for intangible assets amounted to $555 million in 2014, $588 million in 2013 and $595 million in 2012. There were no impairments of goodwill in 2014, 2013 or 2012. In 2012, Abbott recorded impairment charges of $69 million for certain research and development assets due to changes in the projected development and regulatory timelines for the projects.

Litigation—Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $70 million to $85 million for its legal proceedings and environmental exposures. Accruals of approximately $80 million have been recorded at December 31, 2014 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

FINANCIAL REVIEW

RESULTS OF OPERATIONS

SALES

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

	Total % Change	Components of % Change		
		Price	Volume	Exchange
Total Net Sales				
2014 vs. 2013	3.0	(1.4)	6.9	(2.5)
2013 vs. 2012	3.2	(0.6)	5.9	(2.1)
Total U.S.				
2014 vs. 2013	(1.4)	(3.9)	2.5	–
2013 vs. 2012	(0.5)	(0.8)	0.3	–
Total International				
2014 vs. 2013	5.0	(0.2)	8.9	(3.7)
2013 vs. 2012	5.0	(0.6)	8.7	(3.1)
Established Pharmaceutical Products Segment				
2014 vs. 2013	9.0	2.1	12.8	(5.9)
2013 vs. 2012	3.3	0.8	6.7	(4.2)
Nutritional Products Segment				
2014 vs. 2013	3.2	0.8	4.2	(1.8)
2013 vs. 2012	4.3	3.2	2.2	(1.1)
Diagnostic Products Segment				
2014 vs. 2013	3.9	(0.9)	7.3	(2.5)
2013 vs. 2012	5.9	(2.5)	10.8	(2.4)
Vascular Products Segment				
2014 vs. 2013	(0.9)	(6.4)	6.9	(1.4)
2013 vs. 2012	(1.9)	(6.2)	6.2	(1.9)

The increases in Total Net Sales in 2014 and 2013 reflect unit growth, partially offset by the impact of unfavorable foreign exchange. The price declines related to Vascular Products sales in 2014 and 2013 primarily reflect pricing pressure on drug eluting stents and other coronary products as a result of market competition in the U.S. and other major markets. The impact of reimbursement reductions by the Centers for Medicare and Medicaid Services on Abbott's Diabetes Care business also contributed to the overall 3.9% price decline in the U.S. in 2014.

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)	2014	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals				
Key Emerging Markets	$2,308	1%	(7)%	8%
Other Emerging Markets	810	39	(4)	43
Nutritionals–				
International Pediatric Nutritionals	2,357	5	(2)	7
U.S. Pediatric Nutritionals	1,521	(1)	–	(1)
International Adult Nutritionals	1,761	10	(4)	14
U.S. Adult Nutritionals	1,314	(3)	–	(3)
Diagnostics–				
Immunochemistry	3,614	5	(2)	7
Vascular Products (1)–				
Drug Eluting Stents (DES) and Bioresorbable Vascular Scaffold (BVS) products	1,463	(6)	(1)	(5)
Other Coronary Products	580	–	(1)	1
Endovascular	527	11	(1)	12

(1) Other Coronary Products include primarily guidewires and balloon catheters. Endovascular includes vessel closure, carotid stents and other peripheral products.

(dollars in millions)	2013	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals				
Key Emerging Markets	$2,281	1%	(5)%	6%
Other Emerging Markets	581	13	(1)	14
Nutritionals–				
International Pediatric Nutritionals	2,257	9	(1)	10
U.S. Pediatric Nutritionals	1,532	2	–	2
International Adult Nutritionals	1,601	8	(3)	11
U.S. Adult Nutritionals	1,350	(3)	–	(3)
Diagnostics–				
Immunochemistry	3,458	5	(3)	8
Vascular Products (2)–				
Drug Eluting Stents (DES) and Bioresorbable Vascular Scaffold (BVS) products	1,563	(2)	(3)	1
Other Coronary Products	579	(3)	(1)	(2)
Endovascular	475	5	–	5

(2) Other Coronary Products include primarily guidewires and balloon catheters. Endovascular includes vessel closure, carotid stents and other peripheral products.

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Excluding the unfavorable effect of exchange, total Established Pharmaceutical Products sales increased 14.9 percent in 2014 and 7.5 percent in 2013. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the effect of exchange, sales in these key emerging markets increased 7.7 percent in 2014 and 6.0 percent in 2013. Excluding the effect of exchange, sales in Established Pharmaceuticals' other emerging markets increased 43.1 percent in 2014 and increased 14.4 percent in 2013. The increase in 2014 includes the impact of the acquisition of CFR Pharmaceuticals in September 2014. Excluding sales from CFR and the effects of exchange, revenues increased 7.9% in 2014.

Excluding the unfavorable effect of exchange, total Nutritional Products sales increased 5.0 percent in 2014 and 5.4 percent in 2013. International Pediatric Nutritional sales increased in 2014 and 2013 due primarily to volume growth in developing countries. A supplier's recall of product in August 2013 in certain international markets negatively impacted International Pediatric Nutritional sales in the third and fourth quarters of 2013, as well as the first two quarters of 2014. While there were no health issues associated with this supplier recall and the supplier subsequently determined that the product had been safe for consumption, this event created significant disruption in these markets. The decline in 2014 U.S. Pediatric Nutritional sales primarily reflects lower infant formula revenue. U.S. Pediatric sales were flat in 2013 due to lower formula share, partially offset by higher sales of toddler products.

The 2014 and 2013 increases in International Adult Nutritional sales are due primarily to volume growth in developing countries and were negatively impacted by the effect of the relatively stronger U.S. dollar. The decrease in 2014 U.S. Adult Nutritional sales reflects a decline in performance nutrition, as well as weakness in the institutional market segment. The 3.1 percent decline in 2013 U.S. Adult Nutritional sales reflects Abbott's exit from certain non-core business lines as part of the business' margin improvement initiative; most of the sales decline resulting from this exit was offset by higher *Ensure* revenues.

Excluding the unfavorable effect of exchange, total Diagnostic Products sales increased 6.4 percent in 2014 and 8.3 percent in 2013. The sales increases reflect unit growth across geographical regions. 2014 and 2013 sales of immunochemistry products, the largest category in this segment, reflect continued execution of Abbott's strategy to deliver integrated solutions to large healthcare customers.

Excluding the unfavorable effect of exchange, total Vascular Products sales were virtually flat in 2014 and 2013. In 2014, growth of Abbott's *Mitraclip* structural heart product and Endovascular business, including *Supera* peripheral stent, as well as increased penetration of the *Absorb* bioresorbable vascular scaffold in various international markets, was offset by decline in sales of DES products due to year-over-year decreases in the U.S. DES market and in market share. In 2013, growth in international markets, driven by continued share gains in key geographies of *XIENCE Xpedition* and *Absorb*, was offset by declines in the U.S. market due to the negative impact of pricing pressure and a decline in procedures due to market conditions, as well as the expected decline of certain royalty revenues.

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 2014, 2013 and 2012.

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

OPERATING EARNINGS

Gross profit margins were 51.7 percent of net sales in 2014, 50.2 percent in 2013 and 50.2 percent in 2012. The gross profit margin improvement in 2014 reflects higher margins in the Nutritional, Diagnostics, and Vascular Products segments. The gross profit margin in 2013 remained relatively unchanged versus the prior year as improved margins in the Nutritional and Diagnostics Products segments were offset by margin declines in Established Pharmaceuticals and Vascular Products due to pricing pressures and product mix as well as the impact of unfavorable foreign exchange across segments.

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

Research and development expense was $1.345 billion in 2014, $1.371 billion in 2013, and $1.461 billion in 2012 and represented a 1.9 percent decrease in 2014, and a 6.2 percent decrease in 2013. The 2014 decrease in research and development expenses primarily reflects lower investment due to the completion of several programs in the Vascular business. In 2014, research and development expenditures totaled $268 million for the Vascular Products segment, $432 million for the Diagnostics Products segment, $129 million for the Established Pharmaceutical Products segment, and $191 million for the Nutritional Products segment.

Selling, general and administrative expenses increased 2.5 percent in 2014 and decreased 5.4 percent in 2013 versus the respective prior year. The 2014 increase reflects an increase in restructuring costs associated with cost reduction initiatives and deal and other expenses related to recent acquisitions, partially offset by continued prudent cost management. The 2013 decrease reflects the transfer of certain 2012 corporate costs to AbbVie in the separation as well as certain information technology and other back office support costs that were charged to AbbVie in 2013 under transition services agreements. Prudent cost management and a reduction in restructuring costs also contributed to the decrease.

BUSINESS ACQUISITIONS

In September, 2014, Abbott completed the acquisition of the controlling interest in CFR Pharmaceuticals S.A. (CFR) for approximately $2.9 billion in cash ($2.8 billion net of CFR cash on hand at closing). Including the assumption of approximately $570 million of debt, the total cost of the acquisition was $3.4 billion. The acquisition of CFR more than doubles Abbott's branded generics pharmaceutical presence in Latin America and further

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expands its presence in emerging markets. CFR's financial results are included in Abbott's financial statements beginning on September 26, 2014, the date that Abbott acquired control of this business. Abbott owns 99.9% of the outstanding ordinary shares of CFR. The fair value of the non-controlling interest at the acquisition date was approximately $3 million. The acquisition was funded with cash and cash equivalents and short-term investments. The preliminary allocation of the fair value of the acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

(in billions)	
Acquired intangible assets, non-deductible	$ 1.80
Goodwill, non-deductible	1.59
Acquired net tangible assets	0.07
Deferred income taxes recorded at acquisition	(0.54)
Total preliminary allocation of fair value	$ 2.92

Acquired intangible assets consist primarily of product rights for currently marketed products and are amortized over 12 to 16 years (average of 15 years). The goodwill is primarily attributable to intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Established Pharmaceutical Products segment. The acquired tangible assets consist primarily of cash and cash equivalents of approximately $94 million, trade accounts receivable of approximately $179 million, inventory of approximately $177 million, other current assets of approximately $51 million, property and equipment of approximately $214 million, and other long-term assets of approximately $138 million. Assumed liabilities consist of borrowings of approximately $570 million, trade accounts payable and other current liabilities of approximately $192 million and other noncurrent liabilities of approximately $15 million.

Annualized net sales for CFR Pharmaceuticals are expected to total approximately $800 million. Had the acquisition of CFR Pharmaceuticals taken place on January 1, 2013, the consolidated net sales and earnings of Abbott would not have been significantly different from the reported amounts.

In December 2014, Abbott acquired control of Veropharm, a leading Russian pharmaceutical company for approximately $315 million excluding assumed debt. Through this acquisition, Abbott establishes a manufacturing footprint in Russia and obtains a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus. Abbott acquired control of Veropharm through its purchase of Limited Liability Company Garden Hills, the holding company that owns approximately 98 percent of Veropharm. Including the assumption of approximately $90 million of debt and a minority interest with a fair value of $5 million, the total value of the acquired business was approximately $410 million. The preliminary allocation of the fair value of the acquisition resulted in definite lived intangible assets of approximately $120 million, goodwill of approximately $60 million, and net deferred tax liabilities of approximately $35 million. The goodwill is identifiable to the Established Pharmaceutical Products segment. Additionally, Abbott acquired property, plant, and equipment of approximately $185 million, accounts receivable of approximately $45 million, inventory of approximately $25 million, and other assets of approximately $10 million. Acquired intangible assets consist of developed technology and are being amortized over 16 years.

In December 2014, Abbott completed the acquisition of Topera, Inc. for approximately $250 million in cash, plus additional payments up to $300 million to be made upon completion of certain regulatory and sales milestones. The acquisition of Topera provides Abbott a foundational entry in the electrophysiology market. The preliminary allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $20 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangibles assets of approximately $325 million, non-deductible goodwill of approximately $190 million, net deferred tax liabilities of approximately $120 million, and contingent consideration of approximately $165 million. The preliminary fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and trademarks, and are being amortized over 16 years.

The preliminary allocations of the fair value of these acquisitions will be finalized when valuations are completed. Had the aggregate of the above acquisitions taken place on January 1, 2013, consolidated net sales and income would not have been significantly different from reported amounts.

In August 2013, Abbott acquired 100 percent of IDEV Technologies, net of debt, for $310 million, in cash. The acquisition of IDEV Technologies expands Abbott's endovascular portfolio. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $170 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $66 million, non-deductible goodwill of approximately $112 million and net deferred tax liabilities of $47 million. Acquired intangible assets consist of developed technology and are being amortized over 11 years.

In August 2013, Abbott acquired 100 percent of OptiMedica for $260 million, in cash, plus additional payments up to $150 million to be made upon completion of certain development, regulatory and sales milestones. The acquisition of OptiMedica provides Abbott with an immediate entry point into the laser assisted cataract surgery market. The final allocation of the fair value of the acquisition resulted in non-deductible definite-lived intangible assets of approximately $160 million, non-deductible acquired in-process research and development of approximately $60 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately $130 million, net deferred tax liabilities of $49 million and contingent consideration of approximately $70 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist primarily of developed technology that is being amortized over 18 years.

RESTRUCTURINGS

In 2014, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including nutritional and established pharmaceuticals businesses. Abbott recorded employee related severance and other charges of approximately $164 million in 2014.

Approximately $20 million is recognized in Cost of products sold, $53 million is recognized in Research and development and approximately $91 million is recognized in Selling, general and administrative expense. Additional charges of approximately $39 million in 2014 were also recorded primarily for accelerated depreciation.

In 2014 and 2013, Abbott management approved plans to reduce costs and improve efficiencies across various functional areas as well as a plan to streamline certain manufacturing operations in order to reduce costs and improve efficiencies in Abbott's established pharmaceuticals business. In addition, in 2012, Abbott management approved plans to streamline various commercial operations in order to reduce costs and improve efficiencies in Abbott's core diagnostics, established pharmaceutical and nutritionals businesses. Abbott recorded employee related severance charges of approximately $125 million in 2014, $78 million in 2013 and $167 million in 2012. Approximately $7 million in 2014, $14 million in 2013 and $48 million in 2012 are recognized in Cost of products sold, $6 million is recognized in Research and development in 2014, and approximately $112 million in 2014, $32 million in 2013 and $48 million in 2012 recognized as Selling, general and administrative expense. The remaining charges of $32 million in 2013 and $71 million in 2012 are related to Abbott's developed market established pharmaceutical business and are being recognized in the results of discontinued operations. Additional charges of approximately $4 million in 2013 and $22 million in 2012 were also recorded primarily for accelerated depreciation.

In 2013 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2013, Abbott recorded employee severance charges of approximately $11 million. Approximately $11 million in 2013 is classified as Cost of products sold. An additional $41 million and $110 million were recorded in 2013 and 2012, respectively, relating to these restructurings, primarily for accelerated depreciation.

In 2012 and 2010, Abbott management approved restructuring plans primarily related to the acquisition of Solvay's pharmaceuticals business. These plans streamline operations, improve efficiencies and reduce costs in certain Solvay sites and functions as well as in certain Abbott and Solvay commercial organizations in various countries. In 2012, Abbott recorded a charge of approximately $150 million for employee severance and contractual obligations, primarily related to the exit from a research and development facility. These charges are related to businesses transferred to AbbVie and are being recognized in the results of discontinued operations. The accrued restructuring reserves of $115 million at December 31, 2012 related to these actions were transferred to AbbVie on January 1, 2013 as part of the separation. As such, there are no remaining accruals being reported in Abbott's balance sheet as of December 31, 2013.

INTEREST EXPENSE AND INTEREST (INCOME)

In 2014, interest expense increased due to a higher level of short-term borrowings during the year. In 2013, interest expense decreased due to a lower level of borrowings, which resulted from the transfer of approximately $14.6 billion of debt to AbbVie as part of the separation. In 2012, interest expense included bridge facility fees related to the separation of AbbVie from Abbott.

Interest income increased in 2014 due to a higher return earned on short-term investments during the year, while in 2013 interest income increased as a result of a higher level of investments.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, for 2014 includes charges associated with the impairment of certain equity investments partially offset by gains on sales of investments; 2013 includes gains on sales of investments; and 2012 includes approximately $40 million of income from the resolution of a contractual agreement.

NET LOSS ON EXTINGUISHMENT OF DEBT

In 2014, Abbott extinguished approximately $500 million of long-term debt assumed as part of the CFR Pharmaceuticals acquisition and incurred a cost of $18.3 million to extinguish this debt. In 2012, Abbott extinguished $7.7 billion of long-term debt and incurred a cost of $1.35 billion to extinguish this debt, net of gains from the unwinding of interest rate swaps related to the debt.

TAXES ON EARNINGS

The income tax rates on earnings from continuing operations were 31.6 percent in 2014, 2.6 percent in 2013 and 207.7 percent in 2012. In 2014, taxes on earnings from continuing operations include $440 million of tax expense associated with a one-time repatriation of 2014 non-U.S. earnings partially offset by $125 million of tax benefits related to the resolution of various tax positions and the adjustment of tax uncertainties from prior years. 2013 taxes on earnings from continuing operations include $230 million of tax benefit related to the resolution of various tax positions from previous years. In addition, as a result of the American Taxpayer Relief Act of 2012 signed into law in January 2013, Abbott recorded a tax benefit to taxes on continuing operations of approximately $103 million in 2013 for the retroactive extension of the research tax credit and the look-through rules of section 954(c)(6) of the Internal Revenue Code to the beginning of 2012. Taxes on earnings from continuing operations in 2012 reflect the $472 million effect of the tax rate applied to Abbott's net debt extinguishment loss, as well as the recognition of $212 million of tax benefits as a result of the favorable resolution of various tax positions pertaining to a prior year. Exclusive of these discrete items, tax expense in 2013 and 2012 were favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 14 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Abbott has accrued U.S. taxes on approximately $2.2 billion of 2014 earnings generated outside the U.S. in connection with a repatriation of these earnings. In addition to the $440 million of tax expense discussed above, the repatriation resulted in $82 million of additional tax expense in Abbott's 2014 income from discontinued operations. Abbott expects to accelerate the utilization of deferred tax assets and therefore cash taxes due in the U.S. on this repatriation are not expected to be material.

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DISCONTINUED OPERATIONS AND SEPARATION OF ABBVIE INC.

On November 28, 2012, Abbott's board of directors declared a special dividend distribution of all of the outstanding shares of common stock of AbbVie Inc. (AbbVie), the company formed to hold Abbott's research-based proprietary pharmaceuticals business. For each Abbott common share held at the close of business on December 12, 2012, Abbott shareholders received one share of AbbVie stock on January 1, 2013. Abbott has received a ruling from the Internal Revenue Service that the separation qualifies as a tax-free distribution to Abbott and its U.S. shareholders for U.S. federal income tax purposes.

The historical operating results of the research-based proprietary pharmaceuticals business prior to separation are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations line. Discontinued operations include the results of AbbVie's business except for certain corporate overhead costs and certain costs associated with transition services that will be provided by Abbott to AbbVie. Discontinued operations also include other costs incurred by Abbott to separate AbbVie as well as an allocation of interest assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations. The assets, liabilities, and cash flows of the research-based proprietary pharmaceuticals business are included in Abbott's Consolidated Balance Sheet and its Consolidated Statements of Cash Flows for periods prior to January 1, 2013.

Net assets of $2.7 billion were transferred to AbbVie as part of the separation on January 1, 2013.

In addition, approximately $1 billion of accumulated other comprehensive losses, net of income taxes, primarily related to the pension and other benefit plan net liabilities as well as foreign translation was transferred to AbbVie.

In 2013, discontinued operations includes a favorable adjustment to tax expense of $193 million as a result of the resolution of various tax positions pertaining to 2010 related to AbbVie's operations.

Abbott and AbbVie entered into transitional services agreements prior to the separation pursuant to which Abbott and AbbVie are providing various services to each other on an interim transitional basis. Transition services may be provided for up to 24 months with an option for a one-year extension by the recipient. Services being provided by Abbott include certain information technology and back office support. Billings by Abbott under these transitional services agreements are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support will enable AbbVie to establish its stand-alone processes for various activities that were previously provided by Abbott and does not constitute significant continuing support of AbbVie's operations.

For a small portion of AbbVie's operations, the legal transfer of AbbVie's assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013 due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 and 2014 with the remainder expected to be transferred in 2015. These assets and liabilities have been presented as held for disposition in the Consolidated Balance Sheet. At December 31, 2014, the assets and liabilities held for disposition consist of trade accounts receivable of $79 million, inventories of $45 million, equipment of $3 million, other assets of $30 million, trade accounts payable and accrued liabilities of $277 million. Abbott's obligation to transfer the net liabilities held for disposition to AbbVie of $120 million is included in other prepaid assets.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business. In connection with the separation, Abbott has adjusted its employee stock compensation awards and separated its defined benefit programs for pensions and post-employment medical and dental benefit plans. See notes 9 and 13 for additional information.

In July 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity that will combine Mylan's existing business and Abbott's developed markets pharmaceuticals business, and will be publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. Abbott will retain its branded generics pharmaceuticals business in emerging markets. At the close of this transaction, Abbott and Mylan entered into transitional services agreements pursuant to which Abbott and Mylan will provide various back office support services to each other on an interim transitional basis. Transition services may be provided for up to 2 years. Charges by Abbott under these transitional services agreements will be recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support will not constitute significant continuing support of Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transitional service and manufacturing supply agreements are not expected to be significant.

In November 2014, Abbott entered into an agreement to sell its animal health business to Zoetis Inc. This transaction closed on February 10, 2015.

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

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The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses and as well as the businesses transferred to Abbvie noted above, which are being reported as discontinued operations are as follows:

	Year Ended December 31		
(in millions)	2014	2013	2012
Net Sales			
Developed markets generics pharmaceuticals and animal health businesses	$2,076	$2,191	$ 2,444
AbbVie	–	–	18,380
Total	$2,076	$2,191	$20,824
Earnings Before Tax			
Developed markets generics pharmaceuticals and animal health businesses	$ 505	$ 480	$ 525
AbbVie	–	–	5,958
Total	$ 505	$ 480	$ 6,483
Net Earnings			
Developed markets generics pharmaceuticals and animal health businesses	$ 397	$ 395	$ 342
AbbVie	166	193	5,384
Total	$ 563	$ 588	$ 5,726

The year-over-year decline in net sales related to the developed markets branded generics pharmaceuticals business was driven primarily by the impact of declining prices and the unfavorable impact of changes in foreign currency exchange rates.

RESEARCH AND DEVELOPMENT PROGRAMS

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

RESEARCH AND DEVELOPMENT PROCESS

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

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

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

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

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

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

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

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

In the Vascular 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 and selection of a product design, completion of 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., vascular products are classified as Class I, II, or III. Most of Abbott's vascular 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.

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In the EU, vascular products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to the appropriate regulatory authority for review and approval 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 vascular products, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the 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, athletes) 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 nutrition products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

AREAS OF FOCUS

In 2015 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 global and local pharmaceutical brands that best meet the needs of patients in each country. More than 300 branded generic development projects are active for one or several emerging markets. Over the next several years, Established Pharmaceuticals plans to expand its product portfolio in its key markets through the development and launch of new branded generics with the aim to be among the first to market with a new branded generic for a particular pharmaceutical product, further geographic expansion of existing brands, new product enhancements, and strategic licensing activities. Abbott is also actively working on development plans for several key brands such as Creon, Duphaston and Influvac. Depending on the product, the development activities focus on new data, markets, formulations, combinations or indications.

Vascular—Ongoing projects in the pipeline include:

- *XIENCE Alpine*, our newest drug-eluting stent (DES), received US FDA approval in September 2014 and is the only DES with an indication for chronic total occlusions (CTOs). *XIENCE Alpine* was also approved for sale in Europe, Japan and parts of Latin America in 2014.
- *Absorb*, the world's first drug eluting bioresorbable vascular scaffold (BVS) device for the treatment of coronary artery disease that is gradually resorbed into the vessel wall. In 2014, Abbott completed enrollment of patients in clinical trials for regulatory approval in the US and China, and enrollment for trials in Japan was completed in the fourth quarter of 2013. Abbott initiated a trial with the objective of demonstrating that Absorb is more cost-effective and provides the patient a higher quality of life than a permanent, metallic drug eluting stent. Abbott is also actively working on the development of future generations of BVS technologies.
- *MitraClip* device for the treatment of mitral regurgitation (MR). *MitraClip* is available in the U.S., Europe, parts of Asia, the Middle East and Latin America for patients with significant symptomatic degenerative MR who are at prohibitive risk for mitral valve surgery. Abbott continued clinical development of the *MitraClip* therapy including the COAPT trial, a prospective, randomized trial in the United States that will evaluate the impact of *MitraClip* treatment on the progression of heart failure. In addition, Abbott continues to work on the development of the next generation system for the treatment of MR.
- *Supera* self-expanding nitinol stent system which was acquired as part of the acquisition of IDEV Technologies in August 2013. With its proprietary interwoven wire technology, *Supera* is designed based on biomimetic principles to mimic the body's natural movement. *Supera* received US FDA approval in March 2014 for treatment of the superficial femoral and proximal popliteal arteries, which are the main arteries in the thigh that supply blood to lower extremities. *Supera* is also available in Europe, parts of Asia, the Middle East and Latin America for the treatment of blockages in blood vessels due to peripheral artery disease (PAD). Abbott continues to work on the development of *Supera* 's size matrix and next generation delivery system.
- Coronary and endovascular guide wires. Abbott's *Versaturn* guide wire received CE regulatory approval in July 2014 and 510(k) clearance in the US in August 2014.

Medical Optics—Abbott is developing a number of new products which are designed to improve patient outcomes for patients undergoing cataract and LASIK surgery. In 2014, Abbott launched the TECNIS® Symfony intraocular lens (IOL) in Europe. TECNIS® Symfony provides an extended continuous range of high-quality vision, including distance, intermediate and near vision, with visual side effects similar to a standard monofocal IOL. A toric version of TECNIS® Symfony that corrects a patient's astigmatism was approved and launched in Europe. In late 2014, Abbott received approval for two new TECNIS® Multifocal Low Add products in the US. The new TECNIS® Multifocal IOLs allow the surgeon to

customize treatment based on the patient's vision needs and lifestyle. The TECNIS® OptiBlue Toric IOL was approved in Japan in both standard and preloaded options for treatment of cataract patients with astigmatism. The Compact Intuitiv phacoemulsification system for removing cataract was approved in the US and Europe. Abbott received approval in the US and Europe for cOS 3.0, a new software upgrade, and LOI-12, a new disposable patient interface, for its CATALYS precision femtosecond laser cataract system that together improve surgeon efficiency.

In 2015, Abbott will continue to work to develop and introduce new products including the TECNIS-1 Monofocal IOL in a preloaded insertion system, an upgrade to its Signature phacoemulsification system for cataract removal, an upgrade to its CATALYS laser cataract system that helps surgeons to identify a cataract patient's axis of astigmatism and iDesign, its advanced vision diagnostic and LASIK treatment planning system.

Molecular Diagnostics—Various new molecular in vitro diagnostic (IVD) products and next generation instrument systems are in various stages of development and commercialization. In December 2014, *IRIDICA*, an instrument used to rapidly identify a broad range of infection causing pathogens, including bacteria, fungi, and viruses in critically ill patients, became available in Europe and other CE-Mark recognized countries. Abbott's companion diagnostic program continues to expand and includes collaborative efforts with multiple major pharmaceutical companies.

Core Laboratory Diagnostics—Abbott is working on the development of next-generation blood screening, hematology, and immunochemistry instrument systems, as well as assays in various areas including infectious disease, cardiac care, metabolics, oncology, and automation solutions to increase efficiency in laboratories.

Diabetes Care—In the third quarter of 2014, Abbott received CE Mark in Europe for its FreeStyle Libre Flash Glucose Monitoring System. The system eliminates the need for routine finger pricks by reading glucose levels through a sensor that can be worn on the back of the upper arm for up to 14 days. The FreeStyle Libre System also requires no finger pricks for calibration.

Nutrition—Abbott is focusing its research and development spend on six platforms that span the pediatric, adult and performance nutrition areas: immunity, cognition, lean body mass, inflammation, metabolism and tolerance. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2014 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the high rate of failure inherent in the development of pharmaceutical, medical device and diagnostic products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending equal to approximately 6 percent to 7 percent of sales each year. 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, 2014, goodwill recorded as a result of business combinations totaled $10.1 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value except for the Medical Optics unit. While the fair value of the Medical Optics business exceeds its carrying value, extended economic pressure on government-reimbursed cataract procedures in Europe and on the global LASIK surgery business as well as longer regulatory approval timelines for products currently under development, the integration of OptiMedica and the negative impact of foreign currency movements could result in a valuation in the future where the fair value of the Medical Optics unit has declined below its carrying value, thereby triggering the requirement to estimate the implied fair value of the goodwill and measure for impairment.

FINANCIAL CONDITION

CASH FLOW

Net cash from operating activities amounted to $3.7 billion, $3.3 billion and $9.3 billion in 2014, 2013 and 2012, respectively. The increase in Net cash from operating activities in 2014 was due to an improvement in operating results as well as lower cash contributions to pension plans. The decrease in cash from operating activities from 2012 to 2013 was due to the separation of AbbVie on January 1, 2013. Net cash from operating activities in 2013 reflects approximately $435 million of one-time net cash outflows related to the separation of AbbVie and $724 million of contributions to defined benefit pension plans. The income tax component of operating cash flow in 2014, 2013 and 2012 includes $268 million, $427 million and $408 million, respectively, of noncash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years and 2013 also includes a $103 million tax benefit for the retroactive impact of U.S. tax law changes, which is expected to be realized in future years. Trade accounts payable and other liabilities in Net cash from operating activities in 2012 includes the payment of approximately $1.5 billion related to a litigation accrual recorded in 2011 related to the business operations of AbbVie. This was partially offset by increases in other liabilities, primarily restructuring reserves.

FINANCIAL REVIEW

While over 85% of the cash and cash equivalents at December 31, 2014, is considered reinvested indefinitely in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. If these funds were needed for operations in the U.S., Abbott may be required to accrue and pay U.S. income taxes to repatriate these funds. Abbott believes that it has sufficient sources of liquidity to support its assumption that the disclosed amount of undistributed earnings at December 31, 2014 can be considered to be reinvested indefinitely.

Abbott funded $393 million in 2014, $724 million in 2013 and $379 million in 2012 to defined benefit pension plans. Abbott expects pension funding of approximately $585 million in 2015 for its pension plans, of which approximately $470 million relates to its main domestic pension plans. Abbott expects to fund cash dividends, capital expenditures, and its other investments in its businesses with cash flow from operating activities, cash on hand, short-term investments, and borrowings.

DEBT AND CAPITAL

At December 31, 2014, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $5.0 billion that support commercial paper borrowing arrangements which expire in 2019.

In 2014, Abbott redeemed approximately $500 million of long-term notes that were assumed as part of the acquisition of CFR Pharmaceuticals. In 2012, Abbott redeemed $7.7 billion of long-term notes in preparation for the separation of AbbVie from Abbott and repaid $1 billion of long-term notes that were due in 2012. In addition, AbbVie Inc., a wholly owned subsidiary of Abbott, issued $14.7 billion of long-term notes that were guaranteed by Abbott until AbbVie's separation from Abbott on January 1, 2013.

In September 2014, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. The new authorization is in addition to the $512 million unused portion of a previous program announced in June 2013. Under the program announced in June 2013, the board of directors authorized the purchase of up to $3.0 billion of Abbott's common shares. Under this program, Abbott repurchased 54.6 million shares at a cost of $2.1 billion in 2014 and 10.5 million shares at a cost of $388 million in the last six months of 2013, leaving $512 million unused under this program. In the first six months of 2013, 33.0 million shares were purchased at a cost of approximately $1.2 billion, which was under a previous share repurchase authorization.

Abbott declared dividends of $0.90 per share in 2014 compared to $0.64 per share in 2013, a 40% increase. Dividends paid were $1.342 billion in 2014 compared to $882 million in 2013. The year-over-year change in dividends reflects the impact of the increase in the dividend rate.

WORKING CAPITAL

The increase of cash and cash equivalents from $3.5 billion at December 31, 2013 to $4.1 billion at December 31, 2014 reflects the increase in cash generated by operating activities as well as the proceeds from the sale of investment securities. Working capital was $4.7 billion at December 31, 2014 and $9.7 billion at December 31, 2013. The decrease in working capital in 2014 was due to a decline in short-term investments and an increase in short-term borrowings primarily to fund recent acquisitions and share repurchases.

Substantially all of Abbott's trade receivables in Italy, Spain, Portugal, and Greece are with governmental health systems. The collection of outstanding receivables in these countries improved in 2014. As a result, governmental receivables in these four countries accounted for less than 1 percent of Abbott's total assets and 9 percent of total net trade receivables as of December 31, 2014, down from 12 percent as of December 31, 2013.

With the exception of Greece, Abbott historically has collected almost all of the outstanding receivables in these countries. Abbott continues to monitor the credit worthiness of customers located in these and other geographic areas and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring economic conditions and budgetary and other fiscal developments in these countries, Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables. If government funding were to become unavailable in these countries or if significant adverse changes in their reimbursement practices were to occur, Abbott may not be able to collect the entire balance.

FOREIGN CURRENCY DEVELOPMENTS

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. In 2014, Abbott continued to use the official rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela. Abbott cannot predict whether there will be a devaluation of the Venezuelan bolivar or whether it will continue to be able to exchange bolivars at the 6.3 rate. As of December 31, 2014, Abbott had net monetary assets that are subject to revaluation in Venezuela of approximately $240 million. In 2014, revenue from operations in Venezuela represented approximately 2% of Abbott's total net sales.

CAPITAL EXPENDITURES

Capital expenditures of $1.1 billion in 2014 and 2013 and $1.8 billion in 2012 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.

FINANCIAL REVIEW

CONTRACTUAL OBLIGATIONS

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2014.

		Payments Due By Period			
(in millions)	Total	2015	2016-2017	2018-2019	2020 and Thereafter
Long-term debt, including current maturities	$ 3,463	$ 14	$ 59	$1,003	$2,387
Interest on debt obligations	2,805	180	353	313	1,959
Operating lease obligations	639	161	219	114	145
Capitalized auto lease obligations	41	14	27	–	–
Purchase commitments (a)	2,709	2,089	204	218	198
Other long-term liabilities	1,300	–	792	368	140
Total (b)	$10,957	$2,458	$1,654	$2,016	$4,829

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

(b) Unrecognized tax benefits totaling approximately $1.3 billion are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 14—Taxes on Income for further details. The company has employee benefit obligations consisting of pensions and other postemployment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and postretirement plans, including funding matters is included in Note 13—Post-employment Benefits.

CONTINGENT OBLIGATIONS

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

LEGISLATIVE ISSUES

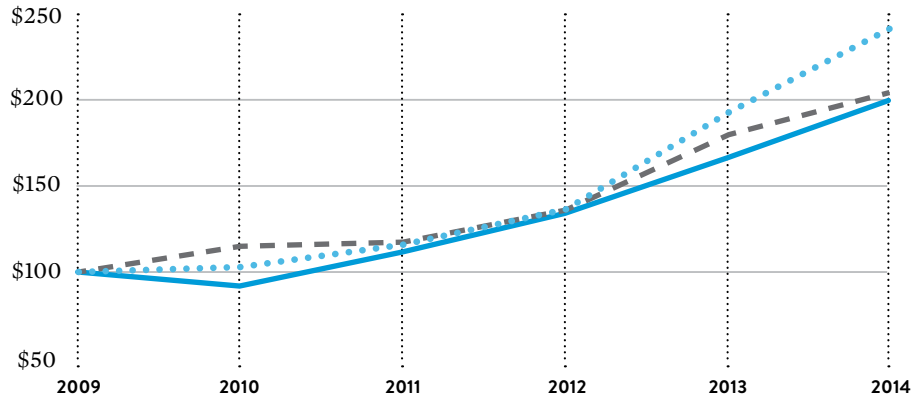
Abbott's primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors, to the Annual Report on Form 10-K.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. Early adoption is not permitted. The standard becomes effective for Abbott in the first quarter of 2017. Abbott is currently evaluating the effect, if any, that the standard will have on its consolidated financial statements and related disclosures.

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

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott, including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, Risk Factors, to the Annual Report on Form 10-K.



PERFORMANCE GRAPH

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 12/31/09 with dividends reinvested.

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in millions except per share data)

Year Ended December 31		2014	2013	2012(b)	2011	2010
Summary of Operations: (a)						
Net Sales	$	20,247	19,657	19,050	18,663	16,923
Cost of products sold	$	9,773	9,781	9,494	9,657	9,059
Research & development	$	1,345	1,371	1,461	1,424	1,144
Selling, general, and administrative	$	6,530	6,372	6,735	6,565	6,029
Operating earnings	$	2,599	2,133	1,360	1,017	691
Interest expense	$	150	145	320	326	520
Interest income	$	(77)	(67)	(59)	(65)	(256)
Other (income) expense, net (c)	$	8	14	1,319	100	66
Earnings before taxes	$	2,518	2,041	(220)	656	361
Taxes on earnings from continuing operations	$	797	53	(457)	(20)	241
Earnings from continuing operations	$	1,721	1,988	237	676	120
Net earnings	$	2,284	2,576	5,963	4,728	4,626
Basic earnings per common share from continuing operations	$	1.13	1.27	0.15	0.43	0.08
Basic earnings per common share	$	1.50	1.64	3.76	3.03	2.98
Diluted earnings per common share from continuing operations	$	1.12	1.26	0.15	0.43	0.08
Diluted earnings per common share	$	1.49	1.62	3.72	3.01	2.96
Financial Positions:						
Working capital	$	4,729	9,740	18,042	8,289	5,055
Long-term investment securities	$	229	119	274	378	302
Net property & equipment	$	5,935	5,905	8,063	7,874	7,971
Total assets	$	41,275	42,953	67,235	60,277	60,574
Long-tem debt	$	3,408	3,388	18,085	12,040	12,524
Shareholders' investment	$	21,639	25,267	26,813	24,526	22,765
Book value per share	$	14.35	16.32	17.01	15.62	14.53
Other Statistics:						
Gross profit margin	%	51.7	50.2	50.2	48.3	46.5
Research and development to net sales	%	6.6	7.0	7.7	7.6	6.8
Net cash from operating activities	$	3,675	3,324	9,314	8,970	8,736
Capital expenditures	$	1,077	1,145	1,795	1,492	1,015
Cash dividends declared per common share (d)	$	0.90	0.64	1.67	1.92	1.76
Common shares outstanding (in thousands)		1,508,035	1,548,098	1,576,667	1,570,379	1,546,984
Number of common shareholders		55,171	57,854	60,476	62,939	64,413
Market price per share—high (e)	$	46.50	38.81	34.68	27.01	27.17
Market price per share—low (e)	$	35.65	31.64	25.82	21.57	21.34
Market price per share—close (e)	$	45.02	38.33	31.34	26.91	22.92

(a) Amounts have been adjusted to reflect Abbott's developed markets branded generics pharmaceuticals and animal health businesses as discontinued operations.

(b) On January 1, 2013, Abbott completed the separation of AbbVie Inc., which was formed to hold Abbott's research-based proprietary pharmaceuticals business. The historical operating results of the research-based proprietary pharmaceuticals business prior to separation are excluded from Earnings from continuing operations, Earning per share from continuing operations and related ratios. The discontinued operations related to the research-based proprietary pharmaceuticals business are included in Net earnings and Basic and Diluted earnings per common share. The assets, liabilities, and cash flows of the research-based proprietary pharmaceuticals business are included in the reported balances for periods prior to January 1, 2013. See Note 2 to the Consolidated Financial Statements for additional information.

(c) 2014 and 2012 include $18 million and $1,351 million, respectively, for the net loss on extinguishment of debt.

(d) The decrease in dividend from 2012 to 2013 reflects the impact of the separation of AbbVie.

(e) The 2012 and prior historical share prices have been adjusted to reflect the separation of AbbVie.

DIRECTORS AND CORPORATE OFFICERS

DIRECTORS

Robert J. Alpern, M.D.
Ensign Professor of Medicine, Professor of Internal Medicine, and Dean of Yale School of Medicine, New Haven, Conn.

Roxanne S. Austin
President, Austin Investment Advisors, Newport Coast, Calif.

Sally E. Blount, Ph.D.
Dean of the J.L. Kellogg Graduate School of Management at Northwestern University, Evanston, Ill.

W. James Farrell
Retired Chairman and Chief Executive Officer of Illinois Tool Works Inc., Glenview, Ill.

Edward M. Liddy
Partner, Clayton, Dubilier & Rice, LLC., New York, N.Y.

Nancy McKinstry
Chief Executive Officer and Chairman of the Executive Board of Wolters Kluwer N.V., Alphen aan den Rijn, the Netherlands

Phebe N. Novakovic
Chairman and Chief Executive Officer, General Dynamics Corporation, Falls Church, Va.

William A. Osborn
Retired Chairman and Chief Executive Officer of Northern Trust Corporation and The Northern Trust Company, Chicago, Ill.

Samuel C. Scott III
Retired Chairman, President and Chief Executive Officer of Corn Products International, Inc., Westchester, Ill.

Glenn F. Tilton
Retired Chairman of the Midwest, JPMorgan Chase & Co., Chicago, Ill.

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

SENIOR MANAGEMENT

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

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

Hubert L. Allen*
Executive Vice President, General Counsel and Secretary

Richard W. Ashley*
Executive Vice President, Corporate Development

Brian J. Blaser*
Executive Vice President, Diagnostics Products

John M. Capek, Ph.D.*
Executive Vice President, Medical Devices

Stephen R. Fussell*
Executive Vice President, Human Resources

John C. Landgraf*
Executive Vice President, Nutritional Products

Heather L. Mason*
Executive Vice President, Nutritional Products, Global Commercial Operations

Michael J. Warmuth*
Executive Vice President, Established Pharmaceuticals

Roger M. Bird*
Senior Vice President, U.S. Nutrition

Jaime Contreras*
Senior Vice President, Core Laboratory Diagnostics, Commercial Operations

Georges H. De Vos*
Senior Vice President, Established Pharmaceuticals, Emerging Markets

Charles D. Foltz*
Senior Vice President, Abbott Vascular

Robert B. Ford*
Senior Vice President, Diabetes Care

Elaine R. Leavenworth
Senior Vice President, Chief Marketing and External Affairs Officer

Corlis D. Murray
Senior Vice President, Quality Assurance, Regulatory and Engineering Services

Jean-Yves F. Pavée*
Senior Vice President, Established Pharmaceuticals, Developed Markets

Daniel Salvadori*
Senior Vice President, Established Pharmaceuticals, Latin America

Murthy V. Simhambhatla*
Senior Vice President, Abbott Medical Optics

J. Scott White*
Senior Vice President, International Nutrition

CORPORATE VICE PRESIDENTS

Jeffery G. Barton
Vice President, Licensing and Acquisitions

Nancy Berce
Vice President, Business Process and Financial Operations

Sharon J. Bracken
Vice President, Point of Care Diagnostics

P. Claude Burcky
Vice President, International Government Affairs

Kathryn S. Collins
Vice President, Chief Ethics and Compliance Officer

John D. Coulter
Vice President, Diagnostics, Commercial Operations, Europe, Middle East and Africa

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

Robert E. Funck*
Vice President, Controller

Dennis A. Gilbert
Vice President, Research and Development, Diagnostics

John F. Ginascol
Vice President, Nutrition, Supply Chain

Gene Huang
Vice President, Chief Economist

Steven J. Lichter
Vice President, Established Pharmaceuticals, Operations

Joseph Manning
Vice President, Nutrition, Asia Pacific

David P. Mark
Vice President, Internal Audit

Catherine Mazzacco
Vice President, Abbott Medical Optics, Commercial

Deepak S. Nath
Vice President, Vascular, Commercial

Andrew Scorey
Vice President, Nutrition, China and Hong Kong

AJ J. Shoultz
Vice President, Taxes

Preston T. Simons
Vice President, Information Technology

Gregory A. Tazalla
Vice President, Strategic Initiatives

Andrea F. Wainer
Vice President, Molecular Diagnostics

Randel W. Woodgrift
Vice President, Vascular, Manufacturing and R&D

Brian B. Yoor
Vice President, Investor Relations

**Denotes executive officer*

SHAREHOLDER AND CORPORATE INFORMATION

STOCK LISTING

The ticker symbol for Abbott's common stock is ABT. The principal market for Abbott's common shares is the New York Stock Exchange. Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the London Stock Exchange and the Swiss Stock Exchange.

QUARTERLY DIVIDEND DATES

Dividends are expected to be declared and paid on the following schedule in 2015, pending approval by the board of directors:

Quarter	Declared	Record	Paid
First	2/20	4/15	5/15
Second	6/12	7/15	8/15
Third	9/11	10/15	11/15
Fourth	12/11	1/15/16	2/15/16

TAX INFORMATION FOR SHAREHOLDERS

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

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

DIVIDEND REINVESTMENT PLAN

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

DIVIDEND DIRECT DEPOSIT

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

DIRECT REGISTRATION SYSTEM

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

ANNUAL MEETING

The annual meeting of shareholders will be held at 9 a.m. on Friday, April 24, 2015, at Abbott's corporate headquarters. Questions regarding the annual meeting may be directed to the Corporate Secretary. A copy of Abbott's 2014 Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available on the Abbott Web site at www.abbott.com or by contacting the Investor Newsline.

CEO AND CFO CERTIFICATIONS

In 2014, Abbott's chief executive officer (CEO) provided to the New York Stock Exchange the annual CEO certification regarding Abbott's compliance with the New York Stock Exchange's corporate governance listing standards. In addition, Abbott's CEO and chief financial officer filed with the U.S. Securities and Exchange Commission all required certifications regarding the quality of Abbott's public disclosures in its fiscal 2014 reports.

INVESTOR NEWSLINE

(224) 667-7300

INVESTOR RELATIONS

Dept. 362, AP6D2

SHAREHOLDER SERVICES

Computershare
P.O. Box 43078
Providence, RI 02940-3078
(888) 332-2268 (U.S. or Canada)
(781) 575-3910 (outside U.S. or Canada)
www.computershare.com

CORPORATE SECRETARY

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

WEBSITE

www.abbott.com

ABBOTT ONLINE ANNUAL REPORT

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(781) 575-3910 (outside U.S. or Canada)
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SHAREHOLDER INFORMATION

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

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

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 2014 Form 10-K and are incorporated by reference. We undertake no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.

The Abbott 2014 Annual Report was printed with the use of renewable wind power resulting in nearly zero carbon emissions, keeping 16,425 pounds of CO_2 from the atmosphere. This amount of wind-generated electricity is equivalent to 14,251 miles not driven in an automobile or 1,187 trees planted. The Abbott Annual Report cover and text is printed on recycled paper that contains a minimum of 10% post-consumer fiber and the financial pages on 30% post-consumer fiber.

ABBOTT.COM

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