2019 ANNUAL REPORT

Abbott

life.to the fullest.™

Abbott is a global company with a straightforward purpose: we help people live more fully with life-changing health technologies and products. Our nutrition products build and maintain health at every stage of life. Our diagnostic solutions provide the information to guide effective treatment decisions. Our branded generic medicines help people get and stay healthy. And our medical devices use the most advanced technologies to keep hearts and arteries healthy, to treat chronic pain and movement disorders, and to give people with diabetes more freedom and less pain. With leadership positions in every market we serve, Abbott is prepared for continued above-market growth and consistently strong shareholder returns.

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Front Cover: **TYRONE MORRIS / Milwaukee, WI**

Tyrone Morris is a very busy man. With a restaurant to run and a weekly bowling league to dominate, he doesn't let anything slow him down — not even heart failure. Abbott technologies have let him get back to leading the life he wants to live.

Quadra Allure MP CRT-P

CardioMEMS Arterial Pressure Monitor

HeartMate 3 Left Ventricular Assist Device

MILES WHITE
Chairman of the Board and
Chief Executive Officer
(left)

ROBERT FORD
President and
Chief Operating Officer
(right)

DEAR FELLOW SHAREHOLDER:

In my final letter to you as Abbott's CEO, I am happy to report not only that our company delivered another outstanding year, but that it stands ready to meet the future, to sustain our success for years to come, and to serve more people, in more ways, than ever before.

Abbott Today

Relevant

A portfolio of innovative products, aligned with key health trends

Balanced

A broad mix of businesses and customers that helps to insulate from volatility in any one market

Global

A brand that's known and trusted worldwide

Driven

A high-performance culture, driven to succeed

#1

MARKET-LEADING POSITIONS

- Continuous Glucose Monitoring
- Remote Heart-Failure Monitoring
- Heart Pumps (LVADs)
- Transcatheter Mitral-Valve Repair
- Stents
- Chronic-Pain Devices
- Blood and Plasma Screening
- Point-of-Care Testing
- Adult Nutrition
- Pediatric Nutrition (U.S.)

SALES IN

160+ countries

LETTER TO OUR SHAREHOLDERS

SUSTAINING THE LEGACY

As Abbott's leader for the past 21 years, I have been ever mindful of the immense responsibility entrusted to me – of not just maintaining, but strengthening and advancing, this great enterprise to sustain the many benefits that it brings to innumerable people around the world. I was given a century-plus legacy of achievement to protect and advance, and we've strived to honor that trust.

The unwavering goal of my time at Abbott's helm has been to constantly build, strengthen, and position the company for long-term success – to ensure its ongoing ability to navigate the always-changing world around us. And we've pursued that goal with great focus, consistency, and deliberation.

That's true to Abbott's history and its character. Since its beginning, this has been a purpose-driven company. Dr. Wallace Abbott began pioneering new medical products in order to better serve his own patients. Ever since, we've been guided by that same commitment to bringing life-changing health products and technologies to the people who need them.

We believe this is the best work that a company can do. And we aim to do it better than anyone else. Our intent has been no less than to make Abbott the leading healthcare company of the 21st century. We believe that goal is not only achievable, but within reach.

The constant question before us is: How can we at Abbott make the biggest difference for the most people? The answer lies in four fundamental characteristics that form the foundation of our success.

In our view, the world's leading healthcare company must be:

Relevant. We've constantly shaped Abbott to ensure that we're aligned with the most important trends in health, science, medicine, business, and society so we can deliver the solutions that people need. As a result, today's Abbott is a leader in such critical areas of medicine as: managing diabetes, one of the world's fastest-growing and most costly diseases, affecting more than 400 million people; treating heart disease, the world's leading killer; and detecting infectious diseases, with Abbott diagnostics screening 60 percent of the world's blood supply.

Global. We're committed to making our innovative products available wherever people need our help, so we've significantly broadened and deepened the company's international presence. Today we do business in more than 160 countries, with strong local roots and a more prominent corporate identity that's raising both our visibility and our reputation. Abbott is better known and respected around the world today than at any time in our history.

Balanced. As always, we've continued to build the company on a broad basis, spanning the spectrum of healthcare and all stages of life. A careful balance among the company's diverse parts has been a core Abbott strategy for decades, and we've maintained and refined it with great care, ensuring that the company never becomes overly dependent on any single, dominant factor.

Driven. As important as building the company's portfolio and presence has been building its culture. This is not an intangible factor – we've worked to hardwire our values into the fabric of the company through norms, standards, and in ways that are clear and measurable.

Abbott people are deeply committed to the company's purpose and understand its vital importance in the lives of the tens of millions of people we serve around the world every year. This drives us to always do more, to do better, to be the best in our markets – to be the best Abbott ever.

96
consecutive years
OF DIVIDENDS PAID

48
consecutive years
OF RISING DIVIDENDS

THE YEAR

The soundness of our strategies and the quality of their execution was borne out in our highly successful 2019 performance, which stands as an object lesson on our efforts of the past two decades. The year shows our model operating and succeeding at a very high level.

Adjusted earnings per share rose 12.5 percent for the year – at the high end of our guidance – on sales of almost $32 billion.

We returned more than $2.2 billion to shareholders and, in December, announced a dividend increase of 12.5 percent. Abbott has now paid dividends for 96 consecutive years, and they've risen annually for the last half of that span – 48 years in a row.

LETTER TO OUR SHAREHOLDERS

Abbott is fully prepared to deliver sustainable growth, sustainable success, and a sustainable future.

All four of our major businesses performed well in 2019 and contributed significantly to these strong results. Among the highlights:

- *FreeStyle Libre*, our revolutionary glucose-monitoring system now has approximately two million users worldwide, increasing organic sales by 70 percent over the previous year. In recognition of its extraordinary impact, *Libre* received the Prix Galien, the highest honor for biomedical innovation.
- *MitraClip*, our market-leading device for the minimally invasive treatment of leaking heart valves, grew organic sales by 30 percent.
- The rollout of our *Alinity* family of systems continues to remake the diagnostic laboratory.
- The quality and impact of our sustainability efforts resulted in our being named to the Dow Jones Sustainability Index for the 15th consecutive year, the last seven as the leader in our industry.
- And our success across the span of our operations was reflected in Abbott being named the Most Admired Company in our industry, also for the seventh year in a row.

In short, our 2019 performance clearly demonstrates the strength of Abbott's position and provides great momentum as we go forward.

THE FUTURE

Business is always about the future – about creating and providing what people will need. This is especially true of an innovator like Abbott, working in a critical field in which people's lives literally depend on bringing them new solutions to their most critical and personal needs. That's why Abbott is always so intently focused on anticipating, preparing for, and leading the future of healthcare.

130+ years

OF LEADERSHIP IN HEALTHCARE

As a result of the continuous evolutionary process we've conducted, Abbott now has all the elements we need to make our own success through organic, internal execution. Our best opportunities, and the strengths we need to capture them, are all within the company. We have all the pieces in place to continue to meet our goals. Abbott is fully prepared to deliver sustainable growth, sustainable success, and a sustainable future.

I am proud of much that we've accomplished over the past 21 years – but nothing more so than ensuring a seamless transition to the new generation of leadership that's ready to take Abbott forward.

When Robert Ford becomes our Chief Executive Officer on March 31, our company will be in very good hands. As I outlined in last year's letter, Robert is an Abbott veteran with superb skills, temperament, and experience for the position. He and I have worked together shoulder to shoulder throughout the year and a half he's served as Abbott's President and Chief Operating Officer, and he is more than ready to forge the next link in Abbott's long tradition of innovation, impact, and success. The senior management team he'll lead is strong and seasoned, and I'll provide continuity through the transition process as Executive Chairman of the Board.

It has been the honor of my life to be a part of this company, to carry its great legacy forward, and to serve all of those who depend on it in such vital ways. It is my fervent hope that I have validated the trust placed in me by the Board 21 years ago. And it is my belief that our company is as strong and ready for its future as at any time in its 132 years of success thus far. More than a century ago, Dr. Wallace Abbott bid the world, "Watch us grow!" Those words have never rung with greater truth and promise than now, as we enter the next chapter in Abbott's great story.

MILES D. WHITE

Chairman of the Board and Chief Executive Officer
March 2, 2020

Abbott 2019: Turning Strength into Success.

FINANCIAL HIGHLIGHTS

WORLDWIDE SALES

$31.9B

ORGANIC SALES GROWTH[1]

7.7%

ADJUSTED EARNINGS PER SHARE[2]

$3.24

ADJUSTED EARNINGS-PER-SHARE GROWTH[3]

12.5%

3-YEAR TOTAL SHAREHOLDER RETURN

~140%

[1] On a GAAP basis, Abbott sales increased 4.3%
[2] Full-year 2019 GAAP diluted EPS from continuing operations $2.06
[3] GAAP EPS Growth 57.3%

For full financial data and reconciliation of non-GAAP measures, please see Abbott's 2019 earnings release at www.abbottinvestor.com

At Abbott, we provide real answers to real problems, delivering breakthrough technologies to prevent, diagnose and treat health needs. We adapt quickly to changes in the world around us, harnessing leading-edge science and technology to deliver the best possible solutions for some of the world's most important health challenges.

THIS IS WHAT WE **DO.**

THIS IS **WHY.**

Tony Daly, *Amplatzer Piccolo* patient, with his father, Anthony

When people are at their healthiest, they have the potential to live not just longer, but better. This simple truth has been Abbott's guiding principle for more than 130 years. From the start, we've worked to create more possibilities, for more people, through the power of health. It's an ideal that's summed up in the four words that define our purpose:

LIFE. TO THE FULLEST.

DIABETES CARE

SHAPING THE FUTURE OF DIABETES MANAGEMENT

Abbott's world-leading position in continuous glucose monitoring stems from the company's long-term focus on devices that let people with diabetes get accurate results faster and with minimal pain or disruption. Our revolutionary sensing technology — the *FreeStyle Libre* System — is a life-changing innovation that offers a convenient way to get more-frequent glucose readings. *Libre* is a small sensor worn on the arm that continuously measures the amount of glucose in the blood. To get a reading, a person simply has to scan the sensor with their smart phone or reader. In 2019, we announced data confirming that higher rates of scanning with the *FreeStyle Libre* system are strongly associated with improved glucose control.

We also offer the *FreeStyle Libre* Pro System, a professional continuous glucose-monitoring device that lets doctors detect trends and track glucose-level patterns, helping them make therapy adjustments for their patients.

In 2019, we announced a number of partnerships designed to further extend the positive impact of the *FreeStyle Libre* technology. We plan to develop integrated diabetes solutions that combine our glucose-sensing technology with Tandem Diabetes Care's insulin-delivery systems to provide more options for diabetes management. We're also partnering with Omada Health to integrate the *FreeStyle Libre* system with their pioneering digital coaching program. And Abbott and Sanofi are partnering to create tools that combine our technology with Sanofi's insulin-dosing information for future smart pens, insulin titration apps, and cloud software.

Diabetes Prevalence Expected to Rise Significantly

2019

463 MILLION

2045

700 MILLION

>50%

More than half of people with diabetes don't know they have it

Source: IDF Diabetes Atlas, Ninth edition 2019

A LIFE, CHANGED

Paloma Kemak

Scottsdale, Arizona, USA

When the *FreeStyle Libre* system became available in the U.S., in 2017, Paloma was one of the first people to try it. Now, as a diabetes blogger, she's one of the system's most vocal supporters. She loves that it helps her simplify her glucose management painlessly and on her own terms, letting her see her glucose levels whenever she likes, and providing trend graphs to help her understand how her levels have fluctuated throughout the day.

FREESTYLE LIBRE SYSTEM

Specifically designed to be both affordable and accessible

CONFIRM RX

The first and only wireless, smartphone-enabled insertable cardiac monitor (shown actual size)

A LIFE, CHANGED

Bruce Morley

Austin, Texas, USA

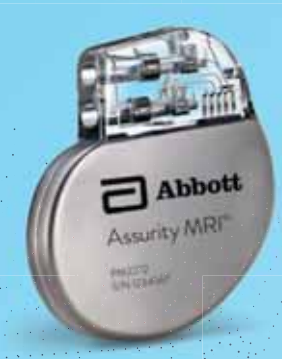
When Bruce first started experiencing the symptoms of atrial fibrillation (AF), he had a separate condition that felt similar enough that he couldn't always tell when his heart was, in fact, beating irregularly. But once his doctors implanted Abbott's *Confirm Rx* Insertable Cardiac Monitor, they could clearly see when his symptoms were related to his heart, helping them better manage his treatment and giving Bruce some much needed peace of mind. Today, with his AF under control, Bruce is better able to live the active life he loves with his wife, Valerie.

CARDIAC RHYTHM MANAGEMENT

CONNECTING ARRHYTHMIA PATIENTS WITH THE CARE THEY NEED

ASSURITY MRI

The world's smallest, longest-lasting MRI pacemaker



>33

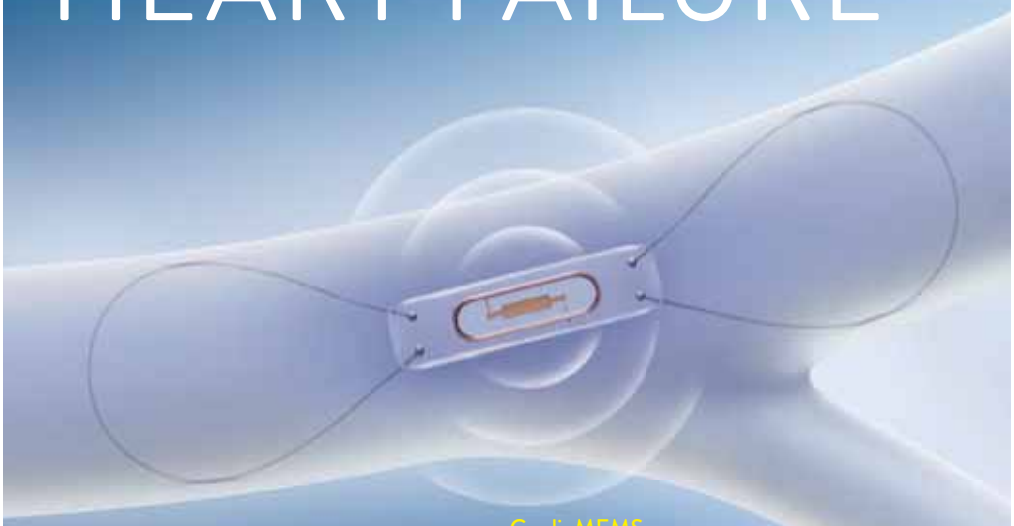
MILLION PEOPLE IN THE WORLD EXPERIENCE ATRIAL FIBRILLATION.

Abbott engineers bring leading-edge thinking to the company's portfolio of cardiac-rhythm-management devices. Our lineup includes MRI-compatible pacemakers that restore normal heart rhythm, implantable cardiac defibrillators that help slow abnormally fast-beating hearts, and cardiac resynchronization devices that help the heart pump in a more coordinated way. In May, we announced the launch of our next-generation *Confirm Rx*, a paperclip-sized implantable device that combines smartphone connectivity and continuous, remote monitoring to track unpredictable heart-rhythm problems for fast and accurate diagnosis.

We also offer a variety of innovative technologies that diagnose and treat irregular heart rhythms caused by atrial fibrillation. These include the *Advisor HD* mapping catheter, which uses a first-of-its-kind electrode configuration to create more highly-detailed maps of the heart; and our best-in-class cardiac-mapping system, *EnSite Precision*, which helps doctors find the specific tissue that's causing a patient's heart to beat irregularly. Early in 2019, we announced the U.S. approval of the *TactiCath* Contact Force Ablation Catheter, *Sensor Enabled*, which delivers more-precise images of the heart overlaid with real-time electrical activity information.

HEART-FAILURE MANAGEMENT

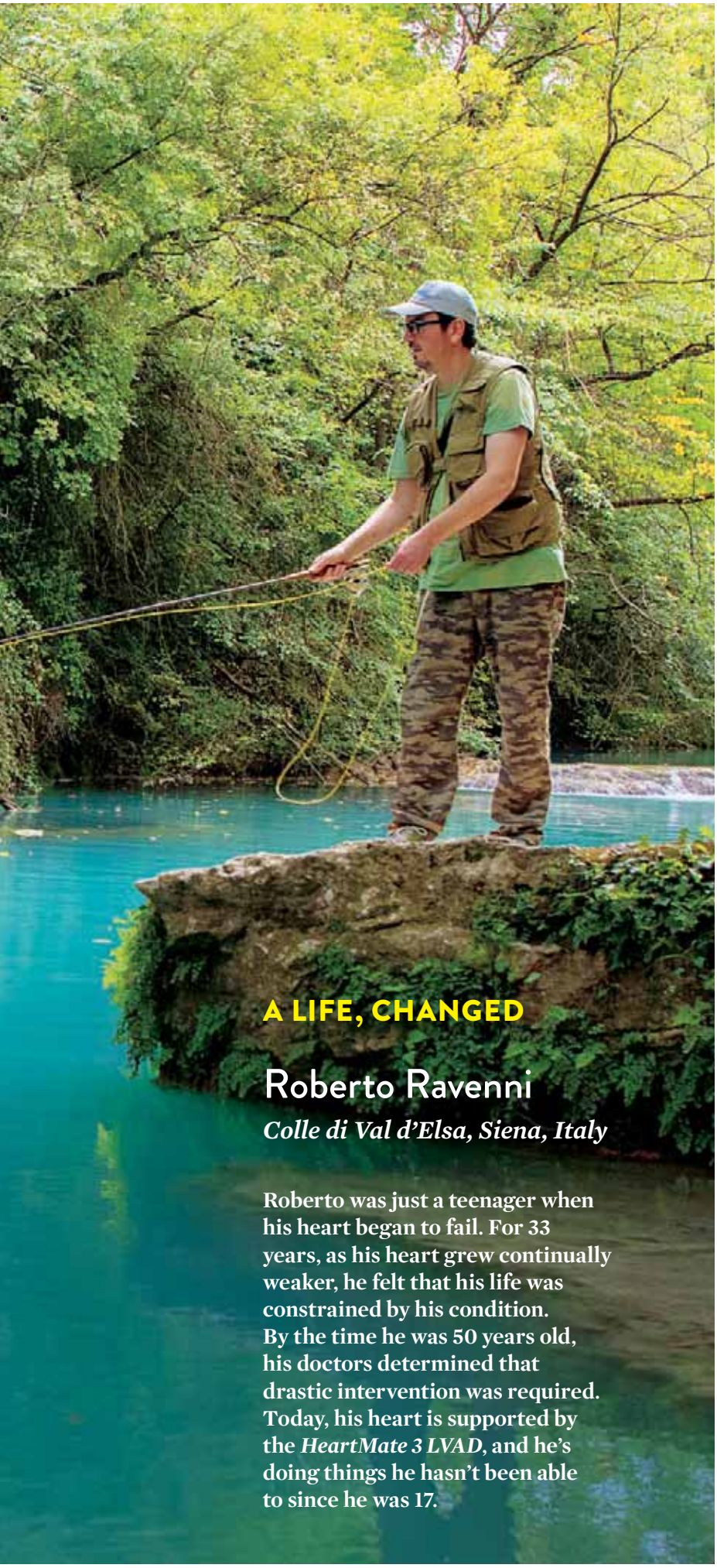
FULL-SPECTRUM SOLUTIONS FOR PEOPLE WITH HEART FAILURE



CardioMEMS
Pulmonary-Artery
Pressure Monitor

Heart failure is one of the world's most serious and costly diseases, impacting nearly 26 million people worldwide. Abbott is meeting the many challenges of this condition with a full spectrum of solutions — diagnostics, devices, data, and analytics — that can help physicians and hospitals manage heart failure more holistically for their patients.

Our *CardioMEMS* HF System measures pulmonary-artery blood pressure to provide early detection of worsening heart failure, working alongside our full cardiac-resynchronization-therapy portfolio and ventricular-assist devices. Our *HeartMate 3* left-ventricular assist device (LVAD) — a mini heart pump for patients in advanced-stage heart failure — is the first implantable device of its kind to use *Full MagLev* flow technology, which allows the pump's rotor to be suspended by magnetic forces, reducing trauma to the blood as it passes through the pump. In March, we announced data from a worldwide trial that showed improved rates of overall survival, better quality of life, and a reduction in adverse events in patients who rely on the *HeartMate 3* heart pump.

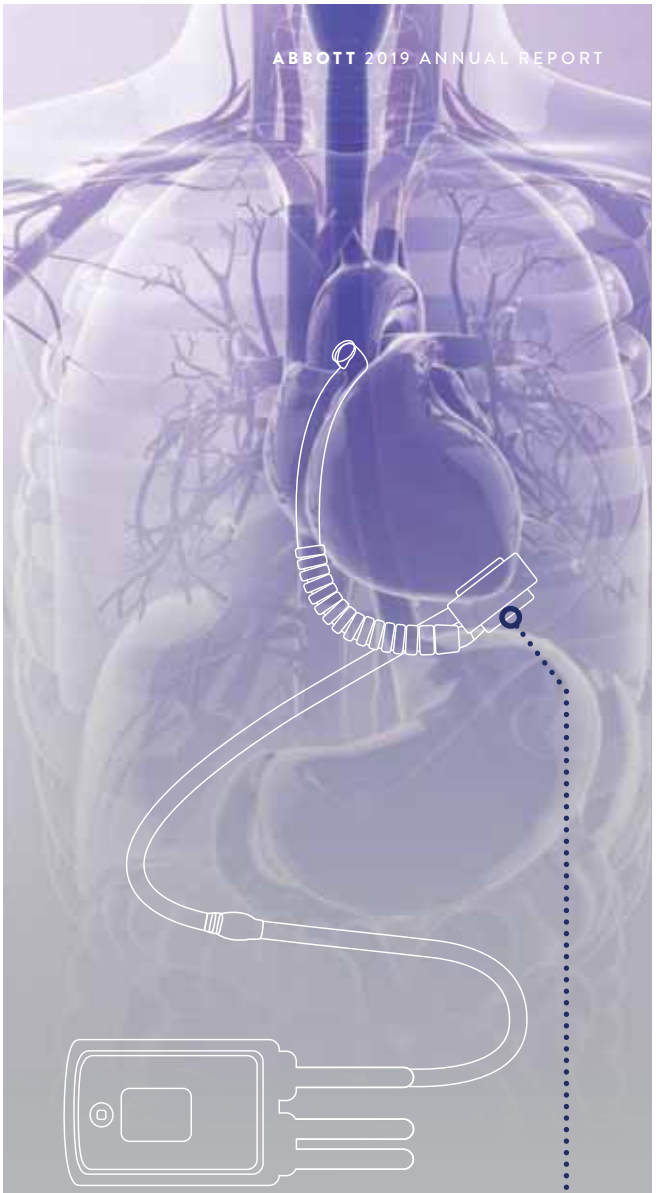


A LIFE, CHANGED

Roberto Ravenni

Colle di Val d'Elsa, Siena, Italy

Roberto was just a teenager when his heart began to fail. For 33 years, as his heart grew continually weaker, he felt that his life was constrained by his condition. By the time he was 50 years old, his doctors determined that drastic intervention was required. Today, his heart is supported by the *HeartMate 3 LVAD*, and he's doing things he hasn't been able to since he was 17.



HEARTMATE 3 LEFT-VENTRICULAR ASSIST DEVICE

Advanced engineering improves outcomes for patients

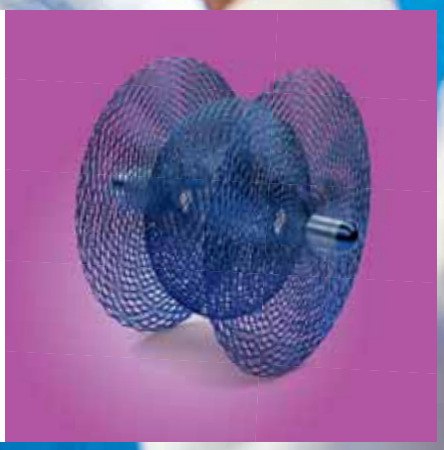
A LIFE, CHANGED

Tony Daly

Las Vegas, Nevada, USA

Tony was born prematurely and weighed just over 2 pounds. Within days, his doctors determined that he had a life-threatening opening in the heart called patent ductus arteriosus (PDA), a condition that often requires urgent and invasive surgery. Abbott's *Amplatzer Piccolo*, a device smaller than a pea, developed specifically to treat PDA, helped close the opening, saving Tony's life. These days, Tony is doing great. He's 4 years old and full of energy.

AMPLATZER PICCOLO OCCLUDER



The first U.S.-approved device small enough to close a hole in the heart of a premature infant, weighing as little as 700 grams.

STRUCTURAL HEART

STRUCTURAL SOLUTIONS FOR DAMAGED HEARTS

MITRACLIP
MITRAL-VALVE REPAIR DEVICE

The first transcatheter mitral device approved to treat advanced heart-failure patients with significant secondary mitral regurgitation

Abbott's innovative devices are designed to treat structural heart defects in minimally invasive — but highly effective — ways.

MitraClip, Abbott's market-leading mitral-valve repair device, clips together a portion of the leaflets of the mitral valve to reduce the backflow of blood, allowing the heart to pump blood more efficiently. In 2019, we received U.S. FDA approval for *MitraClip* G4, which offers doctors expanded treatment options.

In 2019, we acquired Cephea Valve Technologies, adding a less-invasive mitral-valve-replacement technology to our line-up of devices in development. We are also developing *TriClip,* a tricuspid-valve repair device that leverages technology from *MitraClip,* and we're currently conducting a trial of our transcatheter aortic-valve-replacement offering, *Portico,* in the U.S.

Beyond valve repair, our *Amplatzer* PFO Occluder is the leading product on the U.S. market to treat holes in the heart known as patent foramen ovales (PFO). Amplatzer is proven to reduce risk of recurrent stroke in patients with a PFO defect.

A LIFE, CHANGED

Rubens Bataglia

São Paulo,
São Paulo State,
Brazil

With a family history of heart disease, Rubens wasn't surprised when doctors told him he had worrisome blockages in two of his arteries — but he was concerned when they initially told him that, due to the complexity of his condition, he may need open-heart surgery to resolve the problem. Thanks to Abbott's best-in-class diagnostic and imaging technology, Rubens' doctors were able to successfully treat him with a minimally invasive procedure using two *Xience* stents, helping him get back quickly to doing the things he loves.

VASCULAR CARE

INFORMED DECISIONS FOR MORE EFFECTIVE TREATMENTS

XIENCE SIERRA

Advanced stent system designed to address the most complex cases

Since entering the vascular-care business in 1999, Abbott has developed a broad portfolio of devices designed to optimize percutaneous coronary intervention — also known as angioplasty — procedures.

We offer diagnostic and imaging devices designed to help interventional cardiologists assess arterial blockages prior to placing our market-leading stents. Our *Optis* Integrated system combines fractional-flow-reserve technology (FFR), which measures blood pressure and flow through the artery, with optical coherence tomography (OCT), which provides detailed 3-D images of the vessel, to give doctors the information they need to make the best treatment decisions.

We also offer a full portfolio of vessel-closure devices and catheters to round out our vascular portfolio.

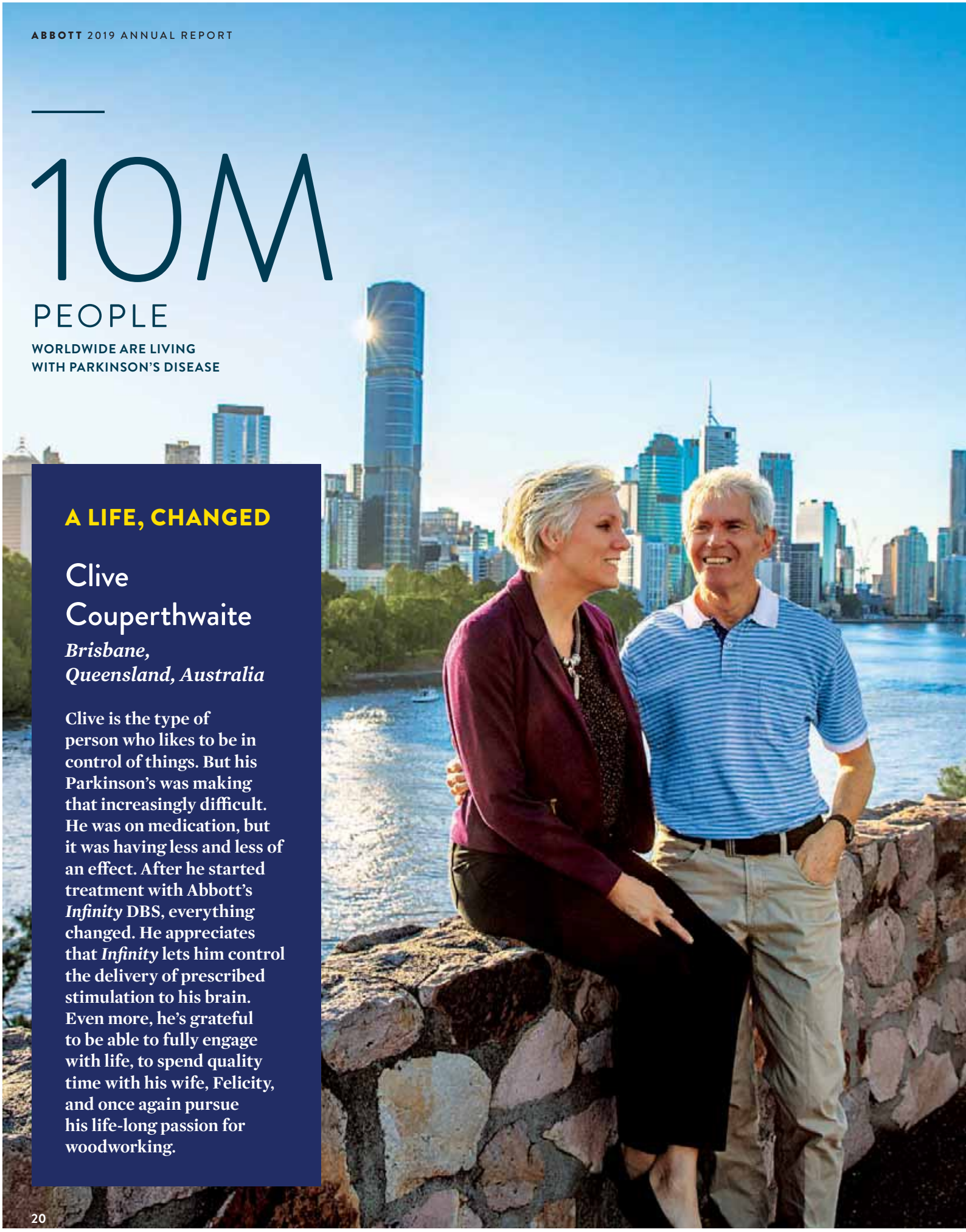
A COMPREHENSIVE PORTFOLIO OF VASCULAR PRODUCTS, INCLUDING:

- ***XIENCE*** **family of drug-eluting stents**
- ***Optis*** **integrated imaging system combines FFR and OCT**
- ***PressureWire*** **family of pressure-sensing guide wires**
- ***Hi-Torque*** **family of guide wires**
- ***Supera*** **peripheral-stent system**
- ***Command*** **guide wires**
- **Perclose *ProGlide* vascular-closure system**

10M

PEOPLE

WORLDWIDE ARE LIVING WITH PARKINSON'S DISEASE



A LIFE, CHANGED

Clive Couperthwaite

Brisbane, Queensland, Australia

Clive is the type of person who likes to be in control of things. But his Parkinson's was making that increasingly difficult. He was on medication, but it was having less and less of an effect. After he started treatment with Abbott's *Infinity* DBS, everything changed. He appreciates that *Infinity* lets him control the delivery of prescribed stimulation to his brain. Even more, he's grateful to be able to fully engage with life, to spend quality time with his wife, Felicity, and once again pursue his life-long passion for woodworking.

NEUROMODULATION

NEW TREATMENT PATHS FOR CHRONIC PAIN AND MOVEMENT DISORDERS

INFINITY DBS SYSTEM

The first deep-brain stimulation system in the U.S. to offer directional leads, reducing potential side effects

Abbott offers a portfolio of therapies that allow people living with chronic pain to work with their doctors to reduce or stabilize the long-term use of opioids and get back to living their lives.

Our *Proclaim* series of pain-management devices includes technology designed to deliver spinal-cord stimulation for the treatment of chronic pain, and dorsal-root-ganglion stimulation for patients seeking relief from nerve pain following surgery or injury in the lower limbs. The *Proclaim* platform's Bluetooth® wireless technology and iOS‡ software let patients tailor therapy to their unique needs.

In 2019, the U.S. Food and Drug Administration approved our *Proclaim XR SCS* system for people living with intractable chronic pain of the trunk and/or limbs. The *Proclaim XR* platform uses low doses of the mild electrical pulses that provide pain relief, helping extend the system's battery life for up to 10 years* at low-dose settings.

For patients living with Parkinson's disease or essential tremor, our *Infinity* Deep Brain Stimulation (DBS) system can alleviate symptoms using mild pulses of electricity to the brain. It was the first DBS system available with Apple iOS-compatible patient controllers.

Bluetooth is a registered trademark of Bluetooth SIG, Inc.
‡ Indicates a third-party trademark, which is property of its respective owner
** Up to 10 years battery longevity at lowest-dose setting: 0.6mA, 500 ohms, duty cycle 30s on/360s off*

CORE LAB DIAGNOSTICS

SHIFTING THE PARADIGM IN LABORATORY DIAGNOSTICS

A LIFE, CHANGED

Merlijn van Hasselt

Amsterdam, North Holland, the Netherlands

Merlijn has long understood that donating blood can be a life-saving gift to people in need. That's why he's been a regular donor since he was 19 years old. His dedication has only grown over his past 9 years handling communications for Sanquin, the non-profit foundation responsible for ensuring the safety of the Netherlands' blood supply.

60%

OF THE WORLD'S DONATED BLOOD AND PLASMA IS SCREENED BY ABBOTT SYSTEMS AND TESTS

Abbott has been a leader in laboratory diagnostics for decades, developing innovative ways to screen, diagnose and monitor a vast range of health conditions with greater speed, accuracy and efficiency. In 2019, the company continued its global roll-out of its *Alinity* family of systems and tests.

Alinity systems are designed to be more efficient — running more tests in less space, generating test results faster and minimizing human errors — while continuing to provide quality results. In March, Abbott announced CE mark for our *Alinity* m diagnostics system and assays, the latest in molecular technology, to help deliver critical test results and benefits to patients.

This new technology presents one of the most significant advancements seen in the molecular diagnostics field in decades, and will help keep up with the growing demand for infectious-disease testing.

In July, the U.S. Food and Drug Administration approved the *Alinity* s System, which screens blood and plasma more efficiently within a smaller space versus commercially available competitive systems. In a testing specialty that can require extensive hands-on time, the additional automation and flexibility of *Alinity* s will help blood and plasma centers improve productivity and maintain the highest levels of accuracy.

ALINITY S

Next-generation blood-screening technology for high-volume laboratories

~70%

OF CRITICAL CLINICAL DECISIONS ARE INFLUENCED BY DIAGNOSTIC TEST RESULTS

60 million

TESTS RUN ON ABBOTT DIAGNOSTIC INSTRUMENTS EVERY DAY

Dr. Keith Ancona

Smithtown, New York, USA

With dozens of patient visits every day, the doctors at Branch Pediatrics place a priority on delivering the highest-quality care as efficiently as possible. They rely on Abbott's *ID NOW* benchtop molecular-diagnostics system to deliver fast, accurate detection of infectious diseases like strep and influenza.

RAPID DIAGNOSTICS

BETTER INFORMATION, BETTER HEALTH

Abbott is the world leader in point-of-care testing. In 2019, the company delivered more than one billion tests to healthcare professionals and patients around the world. Abbott rapid diagnostic systems provide real-time, lab-quality results to give doctors the insights they need — in just minutes — to deliver the right care, at the right time, in any environment.

The *ID NOW* platform, which provides molecular diagnostic results for the detection of flu, strep, and RSV, allows doctors to make effective clinical decisions sooner.

Afinion 2 is a compact testing system that can run a broad menu of tests in doctors' offices. In 2019, the company introduced a new *Afinion* HbA1c test, which is the first and only rapid point-of-care test cleared in the U.S. to help diagnose type-2 diabetes and identify individuals at increased risk for developing the disease.

Abbott's *SoToxa* Mobile Test System, a handheld drug-screening device used to detect recent use of marijuana and five other types of drugs, is currently being used by law-enforcement agencies in several countries around the world, including the U.S. and Canada.

Outside the U.S., Abbott provides HIV, malaria and hepatitis tests in a wide range of decentralized settings. The company's complete portfolio of tests can deliver rapid results even in the most remote areas. Abbott has also been supporting a public health campaign led by the government of Egypt, which has included testing nearly 60 million people for hepatitis C.

1B

>1 BILLION TESTS PROVIDED IN 2019

ESTABLISHED PHARMACEUTICALS

TARGETED PORTFOLIOS **OF TRUSTED MEDICINES**

Every day, more than 18 million people in the world's fastest-growing regions use Abbott medicines — a broad portfolio of off-patent brands that help treat some of the most pervasive health conditions. We are continually innovating, building on our leadership positions with new indications and improved ways of using our medicines. These products are backed by Abbott's 130-plus-year reputation for quality, a reliable supply chain, and world-class scientific culture and expertise.

Abbott understands that better patient care requires localized innovation and value. As such, we tailor our product offerings to meet the specific needs of the local communities we serve. This can mean increasing access to existing products through geographic expansion, extending the reach of local product portfolios through partnerships and alliances, or advancing the quality of care through targeted initiatives.

In 2019, we launched a first-of-its-kind digital health ecosystem — called *a:care* — to guide people to better health outcomes with personalized resources, tools, and tips. Now available in more than 10 countries, *a:care* helps address a broad range of healthcare needs, from prevention to awareness, treatment compliance, and patient motivation.

>1,500

Abbott offers a broad portfolio of high-quality medicines across multiple therapeutic areas:

- Gastroenterology
- Women's health
- Cardiometabolic
- Pain Management / Central nervous system
- Respiratory

A LIFE, CHANGED

Soma Chatterjee

Kolkata, West Bengal, India

When her doctor confirmed that she was expecting a baby, Soma was excited, but also a little anxious. She knew she had medical conditions that would complicate the pregnancy. At 15 weeks, because of an increased risk of miscarriage, her doctor prescribed *Duphaston* to help her carry her baby to full term. Today, her son, Anirneyo, is an energetic 7-year-old who, says Soma, "makes my life complete."

ADULT NUTRITION

NOURISHMENT FOR EVERY STAGE OF LIFE

As the world's leading provider of adult- and medical-nutrition products, Abbott helps more than 8 million people a day get the complete nourishment they need to live their best possible lives. The foundation of this business is our *Ensure* line of complete, balanced and targeted nutrition – products that can help people stay active and at their best, or recover from illness. In 2019, we expanded this line in the U.S. with the launch of the vegan-friendly option *Ensure Plant-Based Protein*.

In May, we introduced *ZonePerfect* Keto shakes and powders, formulated to support ketosis and help burn body fat. *ZonePerfect* Keto is made with true keto macros to help people meet their wellness goals.

Abbott also has an extensive offering of scientifically formulated, condition-specific products. *Glucerna* shakes and bars are formulated to help manage blood-glucose levels as part of a diabetes-management plan. *Jevity* is designed for short- and long-term tube feeding. *Juven* helps build lean body mass and supports wound healing. *Nepro* and *Suplena* meet the needs of people with kidney disease. And *Oxepa* and *Pulmocare* help patients with respiratory conditions.

#1

ABBOTT IS THE WORLDWIDE LEADER IN ADULT-NUTRITION PRODUCTS

A LIFE, CHANGED

Huỳnh Nguyêt Ánh

Ho Chi Minh City, Vietnam

Feeling like she needed some change in her life, Nguyêt decided to get back to doing the things she loved in her youth — social activities like ballroom dancing. Nguyêt relies on *Ensure* to provide the extra energy she needs in her new, more active life.

PEDIATRIC NUTRITION

SCIENCE-BASED NUTRITION TO BUILD A BRIGHTER FUTURE

Every day, more than 11 million babies and children are nourished by Abbott pediatric-nutrition products, a portfolio of research-driven brands that provide essential protein, minerals, and other nutrients.

For more than 90 years, we've helped give babies a strong start with *Similac*, a complete line of milk- and soy-based infant and toddler formulas that support healthy growth and development of a baby's eyes, brain, and immune system. Abbott was the first company in the world to introduce formulas – *Similac Pro-Advance* and *Pro-Sensitive* — with 2′-FL HMO (human milk oligosaccharide), an immune-nourishing ingredient that helps a baby's immune system to be more like the breastfed infant's.

For older children, *PediaSure* is a supplement designed with the right balance of protein, carbohydrates, vitamins and minerals to help kids reach their full potential. And *Pedialyte* offers an advanced rehydration solution for children and adults. It's specially formulated to replenish vital fluids and electrolytes to help prevent dehydration.

A LIFE, CHANGED

Alex Lewandowski

Grayslake, Illinois, USA

When Alex was a baby, he had trouble keeping food down, and often wouldn't eat. His doctors concluded that Alex had oral dysphagia (the inability to swallow food) as well as severe reflux disorder. When he was 16 months old, Alex had a feeding tube inserted to deliver nutrient-packed *PediaSure* directly into his stomach. With these essential nutrients in his system, Alex began gaining weight and demonstrating healthier growth patterns. Today, his swallowing issues are significantly less severe, but he still relies on *PediaSure* to keep his growth on track.

PEDIASURE

A complete line of nutrient-rich products to help children grow to their full potential

2019 Financial Report

CONSOLIDATED STATEMENT OF EARNINGS

(in millions except per share data)

Year Ended December 31	2019	2018	2017
Net Sales	$31,904	$30,578	$27,390
Cost of products sold, excluding amortization of intangible assets	13,231	12,706	12,409
Amortization of intangible assets	1,936	2,178	1,975
Research and development	2,440	2,300	2,260
Selling, general and administrative	9,765	9,744	9,182
Total Operating Cost and Expenses	27,372	26,928	25,826
Operating Earnings	4,532	3,650	1,564
Interest expense	670	826	904
Interest income	(94)	(105)	(124)
Net foreign exchange (gain) loss	7	28	(34)
Debt extinguishment costs	63	167	–
Other (income) expense, net	(191)	(139)	(1,413)
Earnings from Continuing Operations Before Taxes	4,077	2,873	2,231
Taxes on Earnings from Continuing Operations	390	539	1,878
Earnings from Continuing Operations	3,687	2,334	353
Net Earnings from Discontinued Operations, net of taxes	–	34	124
Net Earnings	$ 3,687	$ 2,368	$ 477
Basic Earnings Per Common Share –			
Continuing Operations	$ 2.07	$ 1.32	$ 0.20
Discontinued Operations	–	0.02	0.07
Net Earnings	$ 2.07	$ 1.34	$ 0.27
Diluted Earnings Per Common Share –			
Continuing Operations	$ 2.06	$ 1.31	$ 0.20
Discontinued Operations	–	0.02	0.07
Net Earnings	$ 2.06	$ 1.33	$ 0.27
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,768	1,758	1,740
Dilutive Common Stock Options	13	12	9
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,781	1,770	1,749
Outstanding Common Stock Options Having No Dilutive Effect	61	–	–

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

Year Ended December 31	2019	2018	2017
Net Earnings	$ 3,687	$ 2,368	$ 477
Foreign currency translation gain (loss) adjustments	(12)	(1,460)	1,365
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 $(238) in 2019, $47 in 2018 and $(61) in 2017	(814)	132	(243)
Unrealized gains (losses) on marketable equity securities, net of taxes of $(76) in 2017	–	–	64
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of $(17) in 2019, $50 in 2018 and $(43) in 2017	(53)	136	(134)
Other Comprehensive Income (Loss)	(879)	(1,192)	1,052
Comprehensive Income	$ 2,808	$ 1,176	$ 1,529

Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$(4,924)	$(4,912)	$(3,452)
Net actuarial (losses) and prior service (cost) and credits	(3,540)	(2,726)	(2,521)
Cumulative unrealized (losses) gains on marketable equity securities	–	–	(5)
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(1)	52	(84)
Accumulated other comprehensive income (loss)	$(8,465)	$(7,586)	$(6,062)

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	2019	2018	2017
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 3,687	$ 2,368	$ 477
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,078	1,100	1,046
Amortization of intangible assets	1,936	2,178	1,975
Share-based compensation	519	477	406
Amortization of inventory step-up	—	32	907
Investing and financing losses, net	184	126	47
Loss on extinguishment of debt	63	167	—
Amortization of bridge financing fees	—	—	5
Gains on sale of businesses	—	—	(1,163)
Gain on sale of Mylan N.V. shares	—	—	(45)
Trade receivables	(275)	(190)	(207)
Inventories	(593)	(514)	249
Prepaid expenses and other assets	(138)	23	109
Trade accounts payable and other liabilities	220	747	615
Income taxes	(545)	(214)	1,149
Net Cash From Operating Activities	6,136	6,300	5,570
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,638)	(1,394)	(1,135)
Acquisitions of businesses and technologies, net of cash acquired	(170)	(54)	(17,183)
Proceeds from business dispositions	48	48	6,042
Proceeds from the sale of Mylan N.V. shares	—	—	2,704
Purchases of investment securities	(103)	(131)	(210)
Proceeds from sales of investment securities	21	73	129
Other	27	102	35
Net Cash From (Used in) Investing Activities	(1,815)	(1,356)	(9,618)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt, net and other	—	(26)	(1,034)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	1,842	4,009	6,742
Repayments of long-term debt and debt with maturities over 3 months	(3,441)	(12,433)	(8,650)
Purchase of Alere preferred stock	—	—	(710)
Acquisition and contingent consideration payments related to business acquisitions	—	—	(13)
Purchases of common shares	(718)	(238)	(117)
Proceeds from stock options exercised	298	271	350
Dividends paid	(2,270)	(1,974)	(1,849)
Net Cash From (Used in) Financing Activities	(4,289)	(10,391)	(5,281)
Effect of exchange rate changes on cash and cash equivalents	(16)	(116)	116
Net Increase (Decrease) in Cash and Cash Equivalents	16	(5,563)	(9,213)
Cash and Cash Equivalents, Beginning of Year	3,844	9,407	18,620
Cash and Cash Equivalents, End of Year	$ 3,860	$ 3,844	$ 9,407
Supplemental Cash Flow Information:			
Income taxes paid	$ 930	$ 740	$ 570
Interest paid	677	845	917

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 3,860	$ 3,844
Investments, primarily bank time deposits and U.S. treasury bills	280	242
Trade receivables, less allowances of — 2019: $384; 2018: $314	5,425	5,182
Inventories:		
Finished products	2,784	2,407
Work in process	560	499
Materials	972	890
Total inventories	4,316	3,796
Other prepaid expenses and receivables	1,786	1,568
Total current assets	15,667	14,632
Investments	883	897
Property and equipment, at cost:		
Land	519	501
Buildings	3,702	3,555
Equipment	11,468	10,756
Construction in progress	1,110	894
	16,799	15,706
Less: accumulated depreciation and amortization	8,761	8,143
Net property and equipment	8,038	7,563
Intangible assets, net of amortization	17,025	18,942
Goodwill	23,195	23,254
Deferred income taxes and other assets	3,079	1,885
	$67,887	$67,173

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

CONSOLIDATED BALANCE SHEET

(dollars in millions)

December 31	2019	2018
Liabilities and Shareholders' Investment		
Current liabilities:		
Short-term borrowings	$ 201	$ 200
Trade accounts payable	3,252	2,975
Salaries, wages and commissions	1,237	1,182
Other accrued liabilities	4,035	3,780
Dividends payable	635	563
Income taxes payable	226	305
Current portion of long-term debt	1,277	7
Total current liabilities	10,863	9,012
Long-term debt	16,661	19,359
Post-employment obligations and other long-term liabilities	9,062	8,080
Commitments and contingencies		
Shareholders' investment:		
Preferred shares, one dollar par value Authorized — 1,000,000 shares, none issued	—	—
Common shares, without par value Authorized — 2,400,000,000 shares Issued at stated capital amount — Shares: 2019: 1,976,855,085; 2018: 1,971,189,465	23,853	23,512
Common shares held in treasury, at cost — Shares: 2019: 214,351,838; 2018: 215,570,043	(10,147)	(9,962)
Earnings employed in the business	25,847	24,560
Accumulated other comprehensive income (loss)	(8,465)	(7,586)
Total Abbott Shareholders' Investment	31,088	30,524
Noncontrolling interests in subsidiaries	213	198
Total Shareholders' Investment	31,301	30,722
	$ 67,887	$67,173

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	2019	2018	2017
Common Shares:			
Beginning of Year			
Shares: 2019: 1,971,189,465; 2018: 1,965,908,188; 2017: 1,707,475,455	$ 23,512	$ 23,206	$ 13,027
Issued under incentive stock programs			
Shares: 2019: 5,665,620; 2018: 5,281,277; 2017: 8,834,924	209	163	242
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	—	—	9,835
Share-based compensation	521	479	406
Issuance of restricted stock awards	(389)	(336)	(304)
End of Year			
Shares: 2019: 1,976,855,085; 2018: 1,971,189,465; 2017: 1,965,908,188	$ 23,853	$ 23,512	$ 23,206
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2019: 215,570,043; 2018: 222,305,719; 2017: 234,606,250	$ (9,962)	$(10,225)	$(10,791)
Issued under incentive stock programs			
Shares: 2019: 7,796,030; 2018: 8,870,735; 2017: 8,696,320	361	408	400
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	—	—	180
Purchased			
Shares: 2019: 6,577,825; 2018: 2,135,059; 2017: 302,637	(546)	(145)	(14)
End of Year			
Shares: 2019: 214,351,838; 2018: 215,570,043; 2017: 222,305,719	$(10,147)	$ (9,962)	$(10,225)
Earnings Employed in the Business:			
Beginning of Year	$ 24,560	$ 23,978	$ 25,565
Impact of adoption of new accounting standards	—	351	—
Net earnings	3,687	2,368	477
Cash dividends declared on common shares (per share — 2019: $1.32; 2018: $1.16; 2017: $1.075)	(2,343)	(2,047)	(1,947)
Effect of common and treasury share transactions	(57)	(90)	(117)
End of Year	$ 25,847	$ 24,560	$ 23,978
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ (7,586)	$ (6,062)	$ (7,263)
Impact of adoption of new accounting standards	—	(332)	—
Business dispositions	—	—	149
Other comprehensive income (loss)	(879)	(1,192)	1,052
End of Year	$ (8,465)	$ (7,586)	$ (6,062)
Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 198	$ 201	$ 179
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	15	(3)	22
End of Year	$ 213	$ 198	$ 201

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Revenue Recognition — Revenue from product sales is recognized upon the transfer of control, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics, Abbott participates in selling arrangements that include multiple performance obligations (e.g., instruments, reagents, procedures, and service agreements). The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

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

Earnings Per Share — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2019, 2018 and 2017 were $3.666 billion, $2.320 billion and $346 million, respectively. Net earnings allocated to common shares in 2019, 2018 and 2017 were $3.666 billion, $2.353 billion and $468 million, respectively.

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

Fair Value Measurements — For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

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

Litigation — Abbott accounts for litigation losses in accordance with 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash, Cash Equivalents and Investments — Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. Abbott holds certain investments with a carrying value of $321 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. 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.

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 net realizable value. Cost includes material and conversion costs.

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

Classification	Estimated Useful Lives
Buildings	10 to 50 years
Equipment	3 to 20 years

Product Liability — Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Product liability losses are self-insured.

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

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

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

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott 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 – NEW ACCOUNTING STANDARDS

RECENTLY ADOPTED ACCOUNTING STANDARDS

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to measure and recognize a lease asset and liability on the balance sheet for most leases, including operating leases. Abbott adopted the new standard as of January 1, 2019 using the modified retrospective approach and applied the standard's transition provisions as of January 1, 2019. As a result, no changes were made to the December 31, 2018 Consolidated Balance Sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Abbott elected to apply the package of practical expedients related to transition. These practical expedients allowed Abbott to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2019, and whether any initial direct costs for such leases qualified for capitalization. The new lease accounting standard did not have a material impact on the amounts reported in the Consolidated Statement of Earnings but does have a material impact on the amounts reported in the Consolidated Balance Sheet. Adoption of the new standard resulted in the recording of approximately $850 million of new right of use (ROU) assets and additional liabilities for operating leases on the Consolidated Balance Sheet as of January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

RECENT ACCOUNTING STANDARDS NOT YET ADOPTED

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

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The new standard will be effective for Abbott at the beginning of 2020. Adoption of the new standard will not have a material impact on the consolidated financial statements.

NOTE 3 — REVENUE

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's products are generally sold directly to retailers, wholesalers, distributors, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables provide detail by sales category:

	2019			2018			2017		
(in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Established Pharmaceutical Products —									
Key Emerging Markets	$ —	$ 3,392	$ 3,392	$ —	$3,363	$ 3,363	$ —	$ 3,307	$ 3,307
Other	—	1,094	1,094	—	1,059	1,059	—	980	980
Total	—	4,486	4,486	—	4,422	4,422	—	4,287	4,287
Nutritionals —									
Pediatric Nutritionals	1,879	2,282	4,161	1,843	2,254	4,097	1,777	2,112	3,889
Adult Nutritionals	1,231	2,017	3,248	1,232	1,900	3,132	1,254	1,782	3,036
Total	3,110	4,299	7,409	3,075	4,154	7,229	3,031	3,894	6,925
Diagnostics —									
Core Laboratory	1,086	3,570	4,656	985	3,401	4,386	921	3,142	4,063
Molecular	149	293	442	152	332	484	160	303	463
Point of Care	438	123	561	432	121	553	440	110	550
Rapid Diagnostics	1,214	840	2,054	1,148	924	2,072	296	244	540
Total	2,887	4,826	7,713	2,717	4,778	7,495	1,817	3,799	5,616
Medical Devices —									
Rhythm Management (a)	1,057	1,087	2,144	1,105	1,093	2,198	1,043	1,089	2,132
Electrophysiology (a)	742	979	1,721	678	883	1,561	596	757	1,353
Heart Failure	574	195	769	467	179	646	491	152	643
Vascular	1,047	1,803	2,850	1,126	1,803	2,929	1,180	1,712	2,892
Structural Heart	616	784	1,400	488	751	1,239	432	651	1,083
Neuromodulation	660	171	831	690	174	864	636	172	808
Diabetes Care	678	1,846	2,524	457	1,476	1,933	332	1,082	1,414
Total	5,374	6,865	12,239	5,011	6,359	11,370	4,710	5,615	10,325
Other (b)	27	30	57	36	26	62	115	122	237
Total	$11,398	$20,506	$31,904	$10,839	$19,739	$30,578	$9,673	$17,717	$27,390

(a) Insertable Cardiac Monitor (ICM) sales, which had previously been reported in Electrophysiology, are now included in Rhythm Management. Historic periods have been adjusted to reflect this change.

(b) Diabetes Care sales, which had previously been reported in Other, are now included in the Medical Devices segment. Historic periods have been adjusted to reflect this change.

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

Management exercises judgment in estimating variable consideration. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Abbott provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities.

Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

Abbott also applies judgment in determining the timing of revenue recognition related to contracts that include multiple performance obligations. The total transaction price of the contract is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the

promised goods or services underlying each performance obligation. For goods or services for which observable standalone selling prices are not available, Abbott uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

REMAINING PERFORMANCE OBLIGATIONS

As of December 31, 2019, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately $3.3 billion in the Diagnostic Products segment and approximately $380 million in the Medical Devices segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

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

ASSETS RECOGNIZED FOR COSTS TO OBTAIN A CONTRACT WITH A CUSTOMER

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2019 and 2018 were not significant.

Additionally, the cost of transmitters provided to customers that use Abbott's remote monitoring service with respect to certain medical devices are capitalized as contract costs. Capitalized transmitter costs are amortized based on the timing of the transfer of services to which the assets relate, which typically ranges from eight to ten years. The amounts as of December 31, 2019 and 2018 were not significant.

OTHER CONTRACT ASSETS AND LIABILITIES

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

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

(in millions)	
Contract Liabilities	
Balance at January 1, 2018	$ 198
Unearned revenue from cash received during the period	304
Revenue recognized related to contract liability balance	(243)
Balance at December 31, 2018	259
Unearned revenue from cash received during the period	411
Revenue recognized related to contract liability balance	(376)
Balance at December 31, 2019	$ 294

NOTE 4 — DISCONTINUED OPERATIONS AND BUSINESS DISPOSITIONS

In February 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million ordinary shares (or approximately 22 percent) of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business. In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. and recorded a pretax gain of $207 million on $2.29 billion in net proceeds from the sale of these shares. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million gain from the sale of these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

The net earnings of discontinued operations include income tax benefits of $39 million in 2018 and $109 million in 2017. These tax benefits primarily relate to the resolution of various tax positions related to AbbVie's operations for years prior to the separation. Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business, in January 2013. 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 September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017, Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, the AMO loss before taxes included in Abbott's consolidated earnings was $18 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 — SUPPLEMENTAL FINANCIAL INFORMATION

Other (income) expense, net, for 2019, 2018 and 2017 includes approximately $225 million, $160 million and $160 million of income, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. Other (income) expense, net, for 2017 includes a pre-tax gain of $1.163 billion related to the sale of AMO to Johnson & Johnson. In 2017, Abbott recorded a $45 million pre-tax gain related to the sale of the Mylan N.V. ordinary shares. See Note 4 — Discontinued Operations and Business Dispositions for further discussion of these 2017 sales.

The detail of various balance sheet components is as follows:

(in millions) December 31	2019	2018
Long-term Investments:		
Equity securities	$836	$856
Other	47	41
Total	$883	$897

Abbott's equity securities as of December 31, 2019 and December 31, 2018, include $346 million and $307 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2019 with a carrying value of $321 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of $158 million that do not have a readily determinable fair value. The $158 million carrying value includes an unrealized gain of approximately $50 million on an investment. The gain was recorded in the second quarter of 2018 and relates to an observable price change for a similar investment of the same issuer.

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

(in millions) December 31	2019	2018
Other Accrued Liabilities:		
Accrued rebates payable to government agencies	$ 212	$ 166
Accrued other rebates (a)	655	608
All other	3,168	3,006
Total	$4,035	$3,780

(a) Accrued wholesaler chargeback rebates of $175 million and $197 million at December 31, 2019 and 2018, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions) December 31	2019	2018
Post-employment Obligations and Other Long-term Liabilities:		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$2,817	$2,040
Deferred income taxes	1,546	2,056
Operating lease liabilities	755	—
All other (b)	3,944	3,984
Total	$9,062	$8,080

(b) 2019 includes approximately $580 million of net unrecognized tax benefits, as well as approximately $68 million of acquisition consideration payable. 2018 includes approximately $465 million of net unrecognized tax benefits, as well as approximately $65 million of acquisition consideration payable.

NOTE 6 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(in millions)	Cumulative Foreign Currency Translation Adjustments	Net Actuarial (Losses) and Prior Service (Costs) and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2017	$(3,452)	$(2,521)	$(5)	$(84)	$(6,062)
Impact of adoption of new accounting standards	—	(337)	5	—	(332)
Other comprehensive income (loss) before reclassifications	(1,488)	(18)	—	58	(1,448)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	28	150	—	78	256
Net current period other comprehensive income (loss)	(1,460)	132	—	136	(1,192)
Balance at December 31, 2018	(4,912)	(2,726)	—	52	(7,586)
Other comprehensive income (loss) before reclassifications	(12)	(719)	—	2	(729)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	—	(95)	—	(55)	(150)
Net current period other comprehensive income (loss)	(12)	(814)	—	(53)	(879)
Balance at December 31, 2019	$(4,924)	$(3,540)	$—	$ (1)	$(8,465)

(a) Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange (gain) loss and gains/losses related to cash flow hedges are recorded as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost – see Note 15 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 — BUSINESS ACQUISITIONS

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

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

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

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

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

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

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

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

NOTE 8 — GOODWILL AND INTANGIBLE ASSETS

The total amount of goodwill reported was $23.2 billion at December 31, 2019 and $23.3 billion at December 31, 2018. Foreign currency translation adjustments decreased goodwill by approximately $103 million in 2019 and $440 million in 2018. Purchase price accounting adjustments associated with the Alere acquisition decreased goodwill by $326 million in 2018. The amount of goodwill related to reportable segments at December 31, 2019 was $3.0 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $3.7 billion for the Diagnostic Products segment, and $16.1 billion for the Medical

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Devices segment. There was no significant reduction of goodwill relating to impairments in 2019 and 2018.

The gross amount of amortizable intangible assets, primarily product rights and technology was $27.6 billion and $25.7 billion as of December 31, 2019 and 2018, respectively, and accumulated amortization was $11.9 billion and $10.4 billion as of December 31, 2019 and 2018, respectively. Foreign currency translation adjustments decreased intangible assets by approximately $71 million in 2019 and $281 million in 2018. In 2018, purchase price allocation adjustments increased intangible assets by $280 million. The estimated annual amortization expense for intangible assets recorded at December 31, 2019 is approximately $2.1 billion in 2020, $2.0 billion in 2021, $2.0 billion in 2022, $2.0 billion in 2023 and $1.9 billion in 2024. Amortizable intangible assets are amortized over 2 to 20 years.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately $1.3 billion and $3.6 billion at December 31, 2019 and 2018, respectively. The decrease is due to an in-process research and development intangible asset related to the Medical Devices segment that became amortizable at the end of 2019. In 2017, Abbott recorded a $53 million impairment of an in-process research and development project related to the Medical Devices segment.

NOTE 9 — RESTRUCTURING PLANS

From 2017 to 2019, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately $72 million in 2019, $52 million in 2018 and $187 million in 2017. Approximately $19 million in 2019, $5 million in 2018 and $5 million in 2017 are recorded in Cost of products sold, approximately $4 million in 2019 and $10 million in 2018 are recorded in Research and development, and approximately $49 million in 2019, $37 million in 2018 and $182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St Jude Medical and Alere acquisitions.

The following summarizes the activity related to these actions and the status of the related accruals:

(in millions)	
Liabilities assumed as part of business acquisitions	$ 23
Restructuring charges	187
Payments and other adjustments	(142)
Accrued balance at December 31, 2017	68
Restructuring charges	52
Payments and other adjustments	(79)
Accrued balance at December 31, 2018	41
Restructuring charges	72
Payments and other adjustments	(67)
Accrued balance at December 31, 2019	$ 46

From 2016 to 2019, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $66 million in 2019, $28 million in 2018 and $120 million in 2017. Approximately $16 million in 2019, $10 million in 2018 and $7 million in 2017 are recorded in Cost of products sold, approximately $28 million in 2019, $2 million in 2018 and $77 million in 2017 are recorded in Research and development, and approximately $22 million in 2019, $16 million in 2018 and $36 million in 2017 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 were recorded, primarily for accelerated depreciation.

The following summarizes the activity for these restructurings:

(in millions)	
Restructuring charges recorded in 2016	$ 32
Payments and other adjustments	(15)
Accrued balance at December 31, 2016	17
Restructuring charges	120
Payments and other adjustments	(18)
Accrued balance at December 31, 2017	119
Restructuring charges	28
Payments and other adjustments	(77)
Accrued balance at December 31, 2018	70
Restructuring charges	66
Payments and other adjustments	(57)
Accrued balance at December 31, 2019	$ 79

NOTE 10 — INCENTIVE STOCK PROGRAM

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2019, Abbott granted 4,579,283 stock options, 736,100 restricted stock awards and 6,628,009 restricted stock units under this program.

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

In April 2017, Abbott's shareholders authorized the 2017 Incentive Stock Program under which a maximum of 170 million shares were available for issuance. At December 31, 2019, approximately 127 million shares remained available for future issuance.

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

The following table summarizes stock option activity for the year ended December 31, 2019 and the outstanding stock options as of December 31, 2019.

(intrinsic values in millions)	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	33,074,613	$42.21	6.3	$ 996
Granted	4,579,283	76.35		
Exercised	(7,281,472)	35.51		
Lapsed	(494,509)	60.06		
Outstanding at December 31, 2019	29,877,915	$48.78	6.2	$1,138
Exercisable at December 31, 2019	20,555,321	$41.26	5.3	$ 937

The following table summarizes restricted stock awards and units activity for 2019.

	Share Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2018	15,952,602	$52.11
Granted	7,364,109	76.17
Vested	(7,750,049)	48.52
Forfeited	(1,103,348)	62.28
Outstanding at December 31, 2019	14,463,314	$65.51

The fair market value of restricted stock awards and units vested in 2019, 2018 and 2017 was $588 million, $458 million and $348 million, respectively.

The total intrinsic value of options exercised in 2019, 2018 and 2017 was $315 million, $249 million and $233 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2019 amounted to approximately $419 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 2019, 2018 and 2017 for share-based plans totaled approximately $519 million, $477 million and $406 million, respectively, and the tax benefit recognized was approximately $197 million, $185 million and $242 million, respectively. The decrease in the tax benefit in 2018 primarily relates to the Tax Cuts and Jobs Act (TCJA), which reduces the U.S. federal corporate tax rate from 35% to 21%. Stock compensation cost capitalized as part of inventory is not significant.

The table below summarizes the fair value of an option granted in 2019, 2018 and 2017 and the assumptions included in the Black-Scholes option-pricing model used to estimate the fair value:

	2019	2018	2017
Fair value	$14.50	$10.93	$6.54
Risk-free interest rate	2.5%	2.7%	2.1%
Average life of options (years)	6.0	6.0	6.0
Volatility	19.8%	19.0%	18.0%
Dividend yield	1.7%	1.9%	2.4%

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 11 — DEBT AND LINES OF CREDIT

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

(in millions)	2019	2018
0.00% Notes, due 2020	$ 1,272	$ 1,300
2.80% Notes, due 2020	—	500
2.90% Notes, due 2021	—	2,850
2.55% Notes, due 2022	750	750
0.875% Notes, due 2023	1,272	1,303
3.40% Notes, due 2023	1,050	1,050
5-year term loan due 2024	546	—
0.10% Notes, due 2024	658	—
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,272	1,300
3.75% Notes, due 2026	1,700	1,700
0.375% Notes, due 2027	658	—
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(90)	(102)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(6)	(141)
Total carrying amount of long-term debt	17,938	19,366
Less: Current portion	1,277	7
Total long-term portion	$16,661	$19,359

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On February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization include the following:

- $0.947 billion principal amount of its 5.125% Notes due 2019 – redeemed on March 22, 2018
- $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019 – redeemed on March 22, 2018
- $1.300 billion of the $1.795 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on June 22, 2018
- $0.495 billion outstanding principal amount of its 2.35% Notes due 2019 – redeemed on September 28, 2018
- $0.500 billion outstanding principal amount of its 2.80% Notes due 2020 – redeemed on February 24, 2019

Abbott incurred a net charge of $14 million related to the March 22, 2018 early repayment of debt.

In September 2019, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. This bond redemption authorization supersedes the board's previous authorization under which $700 million had not yet been redeemed.

On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed an offering of €1.180 billion of long-term debt consisting of €590 million of 0.10% Notes due 2024 and €590 million of 0.375% Notes due 2027. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.

On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

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

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt consisting of €1.140 billion of non-interest bearing Senior Notes due 2020 at 99.727% of par value; €1.140 billion of 0.875% Senior Notes due 2023 at 99.912% of par value; and €1.140 billion of 1.50% Senior Notes due 2026 at 99.723% of par value. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. These amounts are in addition to the $5 billion authorization in 2018 discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On November 30, 2018, Abbott entered into a Five Year Credit Agreement (Revolving Credit Agreement) and terminated the 2014 revolving credit agreement. There were no outstanding borrowings under the 2014 revolving credit agreement at the time of its termination. The Revolving Credit Agreement provides Abbott with the ability to borrow up to $5 billion on an unsecured basis. Any borrowings under the Revolving Credit Agreement will mature and be payable on November 30, 2023. Any borrowings under the Revolving Credit Agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott's long-term debt increased due to the assumption of outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of:

(in millions)	Principal Amount
2.00% Senior Notes due 2018	$473.8
2.80% Senior Notes due 2020	483.7
3.25% Senior Notes due 2023	818.4
3.875% Senior Notes due 2025	490.7
4.75% Senior Notes due 2043	639.1

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

In 2017, Abbott issued 364-day yen-denominated debt, of which $201 million and $199 million was outstanding at December 31, 2019 and 2018, respectively. In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year.

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

On October 3, 2017 Abbott borrowed $1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit were part of a 2014 revolving credit agreement that provided Abbott with the ability to borrow up to $5 billion on an unsecured basis. Advances under the revolving credit agreement, including the $1.7 billion borrowing in October 2017, were scheduled to mature and be payable on July 10, 2019. The $1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

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Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off $550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

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

Principal payments required on long-term debt outstanding at December 31, 2019 are $1.3 billion in 2020, $5 million in 2021, $752 million in 2022, $2.3 billion in 2023, $1.2 billion in 2024 and $12.5 billion in 2025 and thereafter.

At December 31, 2019, Abbott's long-term debt rating was A- by Standard & Poor's Corporation and A3 by Moody's. Abbott has readily available financial resources, including lines of credit of $5.0 billion which expire in 2023 and support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2019, 0.4% at December 31, 2018 and 0.3% at December 31, 2017.

NOTE 12 — LEASES

LEASES WHERE ABBOTT IS THE LESSEE

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

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

As Abbott's leases typically do not provide an implicit rate, the interest rate used to determine the present value of the payments under each lease typically reflects Abbott's incremental borrowing rate based on information available at the lease commencement date. Abbott's incremental borrowing rates at January 1, 2019 were used for operating leases that commenced prior to January 1, 2019.

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

(in millions) Year Ended December 31	2019
Operating lease cost (a)	$314
Cash paid for amounts included in the measurement of operating lease liabilities	$253
ROU assets arising from entering into new operating lease obligations	$310

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

The weighted average remaining lease term and discount rate for operating leases as of December 31, 2019 were 8 years and 3.9%, respectively.

Future minimum lease payments under non-cancellable operating leases as of December 31, 2019 were as follows:

(in millions)	
2020	$ 238
2021	197
2022	155
2023	115
2024	80
Thereafter	353
Total future minimum lease payments – undiscounted	1,138
Less: imputed interest	(178)
Present value of lease liabilities	$ 960

The following table summarizes the amounts and location of operating lease ROU assets and lease liabilities as of December 31, 2019:

(in millions)	December 31, 2019	Balance Sheet Caption
Operating Lease – ROU Asset	$934	Deferred income taxes and other assets
Operating Lease Liability:		
Current	$205	Other accrued liabilities
Non-current	755	Post-employment obligations and other long-term liabilities
Total Liability	$960	

LEASES WHERE ABBOTT IS THE LESSOR

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

Assets related to operating leases are reported within Net property and equipment on the Consolidated Balance Sheet. The original cost and the net book value of such assets were $2.8 billion and $1.2 billion, respectively, as of December 31, 2019.

NOTE 13 — FINANCIAL INSTRUMENTS, DERIVATIVES AND FAIR VALUE MEASURES

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates primarily for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling $6.8 billion at December 31, 2019, and $5.1 billion at December 31, 2018, are designated as cash flow hedges of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2019 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2019 and 2018, Abbott held gross notional amounts of $9.1 billion and $13.6 billion, respectively, of such foreign currency forward exchange contracts.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. From the date of the borrowing through December 31, 2019, the value of this long-term debt decreased approximately $4 million to $546 million due to foreign exchange rate changes. The change in the value was recorded in Accumulated other comprehensive income (loss), net of tax. In March 2017, Abbott repaid its $479 million yen-denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately $2.9 billion at December 31, 2019 and 2018, to manage its exposure to changes in the fair value of fixed-rate debt. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

In October 2018, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. As a part of the unwinding, Abbott paid approximately $90 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2018.

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

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)	2019	2018	Balance Sheet Caption	2019	2018	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	$ 48	$ —	Deferred income taxes and other assets	$ —	$100	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	110	81	Other prepaid expenses and receivables	56	44	Other accrued liabilities
Others not designated as hedges	38	33	Other prepaid expenses and receivables	33	51	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary	—	—	n/a	546	—	Long-term debt
	$196	$114		$635	$195	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and certain other derivative financial instruments, as well as the amounts and location of income (expense) and gain (loss) reclassified into income.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			
(in millions)	2019	2018	2017	2019	2018	2017	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$9	$73	$(226)	$ 79	$(114)	$(48)	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	4	—	(25)	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	148	(97)	(24)	Interest expense

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A gain of $75 million and losses of $100 million and $64 million were recognized in 2019, 2018 and 2017, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

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

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

	2019		2018	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 836	$ 836	$ 856	$ 856
Other	47	47	41	41
Total Long-term debt	(17,938)	(20,772)	(19,366)	(19,871)
Foreign Currency Forward Exchange Contracts:				
Receivable position	148	148	114	114
(Payable) position	(89)	(89)	(95)	(95)
Interest Rate Hedge Contracts:				
Receivable position	48	48	–	–
(Payable) position	–	–	(100)	(100)

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

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, 2019:				
Equity securities	$ 357	$357	$ –	$ –
Interest rate swap derivative financial instruments	48	–	48	–
Foreign currency forward exchange contracts	148	–	148	–
Total Assets	$ 553	$357	$ 196	$ –
Fair value of hedged long-term debt	$2,890	$ –	$2,890	$ –
Foreign currency forward exchange contracts	89	–	89	–
Contingent consideration related to business combinations	68	–	–	68
Total Liabilities	$3,047	$ –	$2,979	$68
December 31, 2018:				
Equity securities	$ 320	$320	$ –	$ –
Foreign currency forward exchange contracts	114	–	114	–
Total Assets	$ 434	$320	$ 114	$ –
Fair value of hedged long-term debt	$2,743	$ –	$2,743	$ –
Interest rate swap derivative financial instruments	100	–	100	–
Foreign currency forward exchange contracts	95	–	95	–
Contingent consideration related to business combinations	71	–	–	71
Total Liabilities	$3,009	$ –	$2,938	$71

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis using significant other observable inputs.

Contingent consideration relates to businesses acquired by Abbott. The fair value of the contingent consideration was determined based on an independent appraisal adjusted for the time value of money and other changes in fair value. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately $470 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

NOTE 14 — LITIGATION AND ENVIRONMENTAL MATTERS

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

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $95 million to $130 million. The recorded accrual balance at December 31, 2019 for these proceedings and exposures was approximately $110 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

NOTE 15 — 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)	2019	2018	2019	2018
Projected benefit obligations, January 1	$ 9,093	$ 9,953	$ 1,292	$1,393
Service cost — benefits earned during the year	250	293	23	26
Interest cost on projected benefit obligations	337	308	52	48
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	1,856	(1,044)	228	(106)
Benefits paid	(302)	(295)	(76)	(68)
Other, including foreign currency translation	4	(122)	37	(1)
Projected benefit obligations, December 31	$11,238	$ 9,093	$ 1,556	$1,292
Plan assets at fair value, January 1	$ 8,553	$ 9,298	$ 351	$ 419
Actual return (loss) on plans' assets	1,622	(450)	65	(20)
Company contributions	382	114	12	12
Benefits paid	(302)	(295)	(68)	(60)
Other, including foreign currency translation	22	(114)	—	—
Plan assets at fair value, December 31	$10,277	$ 8,553	$ 360	$ 351
Projected benefit obligations greater than plan assets, December 31	$ (961)	$ (540)	$(1,196)	$ (941)
Long-term assets	$ 687	$ 583	$ —	$ —
Short-term liabilities	(26)	(23)	(1)	(1)
Long-term liabilities	(1,622)	(1,100)	(1,195)	(940)
Net liability	$ (961)	$ (540)	$(1,196)	$ (941)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	$ 4,131	$ 3,326	$ 529	$ 361
Prior service cost (credits)	(2)	(2)	(95)	(163)
Total	$ 4,129	$ 3,324	$ 434	$ 198

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The projected benefit obligations for non-U.S. defined benefit plans was $3.3 billion and $2.7 billion at December 31, 2019 and 2018, respectively. The accumulated benefit obligations for all defined benefit plans were $10.2 billion and $8.3 billion at December 31, 2019 and 2018, respectively.

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2019 and 2018, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2019	2018
Accumulated benefit obligation	$1,985	$1,265
Projected benefit obligation	2,266	1,362
Fair value of plan assets	821	375

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

	Defined Benefit Plans			Medical and Dental Plans		
(in millions)	2019	2018	2017	2019	2018	2017
Service cost — benefits earned during the year	$ 250	$ 293	$ 283	$ 23	$ 26	$ 25
Interest cost on projected benefit obligations	337	308	287	52	48	45
Expected return on plans' assets	(710)	(680)	(613)	(27)	(33)	(33)
Amortization of actuarial losses	132	205	163	22	33	23
Amortization of prior service cost (credits)	1	1	1	(32)	(45)	(45)
Total net cost	$ 10	$ 127	$ 121	$ 38	$ 29	$ 15

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

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of $944 million for defined benefit plans and a loss of $190 million for medical and dental plans in 2019; net actuarial losses of $86 million for defined benefit plans and a gain of $53 million for medical and dental plans in 2018; net actuarial losses of $247 million for defined benefit plans and $97 million for medical and dental plans in 2017. The change in net actuarial losses in 2019 primarily relates to lower discount rates at December 31, 2019 compared to December 31, 2018, partially offset by the impact of actual 2019 asset returns in excess of expected returns.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2019 that is expected to be recognized in the net periodic benefit cost in 2020 is $253 million and $1 million of expense, respectively, for defined benefit pension plans and $32 million of expense and $28 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:

	2019	2018	2017
Discount rate	3.0%	4.0%	3.4%
Expected aggregate average long-term change in compensation	4.3%	4.3%	4.4%

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

	2019	2018	2017
Discount rate	4.0%	3.4%	3.9%
Expected return on plan assets	7.5%	7.7%	7.6%
Expected aggregate average long-term change in compensation	4.3%	4.4%	4.3%

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

	2019	2018	2017
Health care cost trend rate assumed for the next year	9%	9%	9%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2025	2025	2027

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2019, by $221 million /$(179) 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 $12 million/$(9) 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	Measured at NAV (k)
December 31, 2019:					
Equities:					
U.S. large cap (a)	$ 2,873	$1,647	$ –	$ –	$1,226
U.S. mid and small cap (b)	648	548	4	2	94
International (c)	2,202	464	–	–	1,738
Fixed income securities:					
U.S. government securities (d)	562	52	357	–	153
Corporate debt instruments (e)	1,266	362	724	–	180
Non-U.S. government securities (f)	445	3	2	–	440
Other (g)	320	69	27	–	224
Absolute return funds (h)	1,557	424	–	–	1,133
Commodities (i)	32	–	–	1	31
Cash and Cash Equivalents	182	84	–	–	98
Other (j)	550	8	–	–	542
	$10,637	$3,661	$1,114	$ 3	$5,859
December 31, 2018:					
Equities:					
U.S. large cap (a)	$ 2,168	$1,319	$ 5	$ –	$ 844
U.S. mid and small cap (b)	515	226	–	–	289
International (c)	1,671	370	–	–	1,301
Fixed income securities:					
U.S. government securities (d)	476	51	269	–	156
Corporate debt instruments (e)	1,150	269	701	–	180
Non-U.S. government securities (f)	405	5	–	–	400
Other (g)	199	15	55	–	129
Absolute return funds (h)	1,684	448	–	–	1,236
Commodities (i)	59	–	–	4	55
Cash and Cash Equivalents	192	123	–	–	69
Other (j)	385	11	–	–	374
	$ 8,904	$2,837	$1,030	$ 4	$5,033

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

(b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid and small cap indices.

(c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

(d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.

(e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.

(f) Primarily United Kingdom, Japan and Eurozone government bonds.

(g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.

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

(i) Primarily investments in private energy funds.

(j) Primarily investments in private funds, such as private equity, private credit and private real estate.

(k) In accordance with ASU 2015-07, investments measured at fair value using the net asset value (NAV) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2019 and 2018. Fixed income securities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2019 and 2018. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 90 days. For approximately $235 million and $100 million of the absolute return funds, redemptions are subject to a 33 percent gate and a 25 percent gate, respectively, and $45 million is subject to a lock until 2022. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2020 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2019 and 2018 were not significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2020 to 2029. Abbott's unfunded commitment in these funds was $571 million and $518 million as of December 31, 2019 and 2018, respectively.

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

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

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded $382 million in 2019 and $114 million in 2018 to defined pension plans. Abbott expects to contribute approximately $387 million to its pension plans in 2020.

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
2020	$ 315	$ 76
2021	325	78
2022	342	79
2023	360	80
2024	382	82
2025 to 2029	2,219	421

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $158 million in 2019, $146 million in 2018 and $79 million in 2017. The 2018 contributions include amounts related to participants of the St. Jude Medical Retirement Plan which was terminated in January 2018.

NOTE 16 — TAXES ON EARNINGS FROM CONTINUING OPERATIONS

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

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott completed its accounting for all of the enactment date income tax effects of the TCJA.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the FASB staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities. In 2019, taxes on earnings from continuing operations include an $86 million reduction to the transition tax. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. This adjustment decreased the cumulative net tax expense related to the TCJA to $1.50 billion.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2019, the remaining balance of Abbott's transition tax obligation is approximately $1.33 billion, which will be paid over the next seven years as allowed by the TCJA.

In 2019, taxes on earnings from continuing operations included $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes on earnings from continuing operations include $435 million of tax expense related to the gain on the sale of the AMO business.

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2015 and the former St. Jude Medical consolidated group which are settled through 2013. 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)	2019	2018	2017
Earnings From Continuing Operations Before Taxes:			
Domestic	$ 889	$ (430)	$ 308
Foreign	3,188	3,303	1,923
Total	$4,077	$2,873	$2,231

(in millions)	2019	2018	2017
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	$ 291	$ (812)	$2,260
Foreign	590	606	508
Total current	881	(206)	2,768
Deferred:			
Domestic	(305)	832	(679)
Foreign	(186)	(87)	(211)
Total deferred	(491)	745	(890)
Total	$ 390	$ 539	$1,878

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

	2019	2018	2017
Statutory tax rate on earnings from continuing operations	21.0%	21.0%	35.0%
Impact of foreign operations	(5.0)	(5.4)	(16.3)
Impact of TCJA and other related items	(2.1)	6.3	65.5
Foreign-derived intangible income benefit	(2.0)	(1.9)	–
Domestic impairment loss	–	(2.1)	–
Excess tax benefits related to stock compensation	(2.5)	(3.1)	(5.4)
Research tax credit	(1.2)	(1.8)	(1.9)
Resolution of certain tax positions pertaining to prior years	–	3.4	–
State taxes, net of federal benefit	0.8	0.4	0.5
Federal tax cost on sale of Mylan N.V. shares	–	–	3.4
All other, net	0.6	2.0	3.4
Effective tax rate on earnings from continuing operations	9.6%	18.8%	84.2%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(in millions)	2019	2018
Deferred tax assets:		
Compensation and employee benefits	$ 982	$ 829
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,227	2,546
Trade receivable reserves	190	196
Inventory reserves	110	97
Lease liabilities	209	–
Deferred intercompany profit	259	203
Total deferred tax assets before valuation allowance	3,977	3,871
Valuation allowance	(978)	(1,363)
Total deferred tax assets	2,999	2,508
Deferred tax liabilities:		
Depreciation	(219)	(226)
Right of Use lease assets	(209)	–
Other, primarily the excess of book basis over tax basis of intangible assets	(3,107)	(3,557)
Total deferred tax liabilities	(3,535)	(3,783)
Total net deferred tax assets (liabilities)	$ (536)	$(1,275)

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

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

(in millions)	2019	2018
January 1	$1,120	$1,440
Decrease in tax positions due to acquisitions	–	(13)
Increase due to current year tax positions	137	164
Increase due to prior year tax positions	75	235
Decrease due to prior year tax positions	(117)	(611)
Settlements	(32)	(91)
Lapse of statute	(8)	(4)
December 31	$1,175	$1,120

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.07 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of $220 million to $510 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

NOTE 17 — 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.

Beginning in the fourth quarter of 2019, the results of the Diabetes Care business, which had previously been included in Other, were aggregated with the results of the businesses in the Cardiovascular and Neuromodulation segment to comprise the Medical Devices reportable segment. Historic periods have been adjusted to reflect this change.

On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

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

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

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

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

Non-reportable segments include AMO through the date of its sale in February 2017.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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)	2019	2018	2017	2019	2018	2017
Established Pharmaceutical Products	$ 4,486	$ 4,422	$ 4,287	$ 904	$ 894	$ 848
Nutritional Products	7,409	7,229	6,925	1,705	1,652	1,589
Diagnostic Products	7,713	7,495	5,616	1,912	1,868	1,468
Medical Devices	12,239	11,370	10,325	3,769	3,500	3,011
Total Reportable Segments	31,847	30,516	27,153	$8,290	$7,914	$6,916
Other	57	62	237			
Total	$31,904	$30,578	$27,390			

(a) Net sales were unfavorably affected by the relatively stronger U.S. dollar in 2019 and 2018. Operating earnings were unfavorably affected by the impact of foreign exchange in 2019, 2018 and 2017.

(in millions)	2019	2018	2017
Total Reportable Segment Operating Earnings	$ 8,290	$ 7,914	$ 6,916
Corporate functions and benefit plan costs	(468)	(618)	(506)
Net interest expense	(576)	(721)	(780)
Loss on extinguishment of debt	(63)	(167)	–
Share-based compensation	(519)	(477)	(406)
Amortization of intangible assets	(1,936)	(2,178)	(1,975)
Other, net (b)	(651)	(880)	(1,018)
Earnings from Continuing Operations Before Taxes	$ 4,077	$ 2,873	$ 2,231

(b) Other, net includes integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2019. Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2018. In 2017, Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business. Charges for restructuring actions and other cost reduction initiatives were approximately $215 million in 2019, $153 million in 2018 and $384 million in 2017.

	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
(in millions)	2019	2018	2017	2019	2018	2017	2019	2018	2017
Established Pharmaceuticals	$ 98	$ 92	$ 90	$ 109	$ 131	$ 181	$ 2,858	$ 2,664	$ 2,728
Nutritionals	139	150	164	141	86	147	3,274	3,071	3,160
Diagnostics	403	397	300	726	609	374	5,235	4,464	4,226
Medical Devices	266	294	338	532	408	276	6,640	5,886	5,799
Total Reportable Segments	906	933	892	1,508	1,234	978	$18,007	$16,085	$15,913
Other	172	167	154	160	160	157			
Total	$1,078	$1,100	$1,046	$1,668	$1,394	$1,135			

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

(in millions)	2019	2018	2017
Total Reportable Segment Assets	$18,007	$16,085	$15,913
Cash and investments	5,023	4,983	10,493
Goodwill and intangible assets	40,220	42,196	45,493
All other	4,637	3,909	4,351
Total Assets	$67,887	$67,173	$76,250

	Net Sales to External Customers (d)		
(in millions)	2019	2018	2017
United States	$11,398	$10,839	$ 9,673
China	2,346	2,311	2,146
Germany	1,751	1,619	1,366
Japan	1,435	1,326	1,255
India	1,397	1,333	1,237
Switzerland	1,068	1,005	841
The Netherlands	975	930	929
All Other Countries	11,534	11,215	9,943
Consolidated	$31,904	$30,578	$27,390

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

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2019 and 2018, long-lived assets totaled $10.2 billion and $8.7 billion, respectively, and in the United States such assets totaled $5.1 billion and $4.3 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 — QUARTERLY RESULTS (UNAUDITED)

(in millions except per share data)	2019	2018
First Quarter		
Continuing Operations:		
Net Sales	$7,535	$7,390
Gross Profit	3,889	3,739
Earnings from Continuing Operations	672	409
Basic Earnings per Common Share	0.38	0.23
Diluted Earnings per Common Share	0.38	0.23
Net Earnings	672	418
Basic Earnings Per Common Share (a)	0.38	0.24
Diluted Earnings Per Common Share (a)	0.38	0.23
Second Quarter		
Continuing Operations:		
Net Sales	$7,979	$7,767
Gross Profit	4,217	3,923
Earnings from Continuing Operations	1,006	718
Basic Earnings per Common Share	0.57	0.41
Diluted Earnings per Common Share	0.56	0.40
Net Earnings	1,006	733
Basic Earnings Per Common Share (a)	0.57	0.42
Diluted Earnings Per Common Share (a)	0.56	0.41
Third Quarter		
Continuing Operations:		
Net Sales	$8,076	$7,656
Gross Profit	4,234	3,946
Earnings from Continuing Operations	960	552
Basic Earnings per Common Share	0.54	0.31
Diluted Earnings per Common Share	0.53	0.31
Net Earnings	960	563
Basic Earnings Per Common Share (a)	0.54	0.32
Diluted Earnings Per Common Share (a)	0.53	0.32
Fourth Quarter		
Continuing Operations:		
Net Sales	$8,314	$7,765
Gross Profit	4,397	4,086
Earnings from Continuing Operations	1,049	655
Basic Earnings per Common Share	0.59	0.37
Diluted Earnings per Common Share	0.59	0.37
Net Earnings	1,049	654
Basic Earnings Per Common Share (a)	0.59	0.37
Diluted Earnings Per Common Share (a)	0.59	0.37

(a) The sum of the four quarters of earnings per share for 2019 and 2018 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, 2019. In making this assessment, it used the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2019, 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 62.

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

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

Robert E. Funck, Jr.
Senior Vice President, Finance and Controller

February 21, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Abbott Laboratories

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, 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 21, 2020 expressed an unqualified opinion thereon.

BASIS FOR OPINION

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

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

CRITICAL AUDIT MATTERS

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

Evaluation of acquired in-process research & development intangible assets

Description of the Matter

As described in Note 8 to the consolidated financial statements, acquired in-process research & development ("IPR&D") intangible assets were approximately $1.3 billion at December 31, 2019. IPR&D intangible assets are assessed for impairment annually, or more frequently if impairment indicators suggest the fair value of the IPR&D intangible asset may be below its carrying value. Auditing the fair value estimate of IPR&D intangible assets is complex because the estimate involves making assumptions about the timing and amount of forecasted future net cash flows of the related IPR&D projects, as well as the risk associated with the forecasted future net cash flows. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IPR&D intangible asset impairment assessment, as well as its process for identification of events that indicate an IPR&D intangible asset may be impaired. This included controls over management's review of the valuation model and the significant assumptions (e.g., discount rate, projected research and development ("R&D") costs, probability of technical success, projected revenues and product profitability) used to develop the prospective financial information (PFI).

To test the fair value of the Company's IPR&D intangible assets, our audit procedures included, among others, evaluating the Company's use of the income approach, testing the significant assumptions described above used to develop the prospective financial information and testing the completeness and accuracy of the underlying data. For example, we compared certain significant assumptions to current industry, market and economic trends, historical results of the Company's business and other guideline companies within the same industry and to other relevant factors. We performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair value of the IPR&D assets resulting from changes in the assumptions. We also involved our valuation specialists to assist in testing certain significant assumptions in the fair value estimate. In addition, to evaluate the probability of technical success, we considered the phase of development of the IPR&D project and the Company's history of obtaining regulatory approvals.

Income taxes – Unrecognized tax benefits

Description of the Matter

As described in Note 16 to the consolidated financial statements, unrecognized tax benefits were approximately $1.2 billion at December 31, 2019. Unrecognized tax benefits are assessed by management quarterly for identification and measurement, or more frequently if there are any indicators suggesting change in unrecognized tax benefits. Assessing tax positions involves judgement including interpreting tax laws of multiple jurisdictions and assumptions relevant to the measurement of an unrecognized tax benefit, including the estimated amount of tax liability that may be incurred should the tax position not be sustained upon inspection by a tax authority. These judgements and assumptions can significantly affect unrecognized tax benefits.

How We Addressed the Matter in our Audit

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

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

/s/ Ernst & Young LLP

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

Chicago, Illinois
February 21, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Abbott Laboratories

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 2020 expressed an unqualified opinion thereon.

BASIS FOR OPINION

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

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

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

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2020

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

MARKET PRICE SENSITIVE INVESTMENTS

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately $11 million and $13 million as of December 31, 2019 and 2018, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2019 by approximately $2 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately $346 million and $307 million as of December 31, 2019 and 2018, respectively. Changes in the fair value of these investments, as well as an offsetting change in the benefit obligation, are recorded in earnings.

NON-PUBLICLY TRADED EQUITY SECURITIES

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was $158 million and $211 million as of December 31, 2019 and 2018, respectively. No individual investment is recorded at a value in excess of $61 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

INTEREST RATE SENSITIVE FINANCIAL INSTRUMENTS

At December 31, 2019 and 2018, Abbott had interest rate hedge contracts totaling $2.9 billion to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. The fair value of long-term debt at December 31, 2019 and 2018 amounted to $20.8 billion and $19.9 billion, respectively (average interest rates of 3.3% and 3.5% as of December 31, 2019 and 2018, respectively) with maturities through 2046. At December 31, 2019 and 2018, the fair value of current and long-term investment securities amounted to approximately $1.2 billion and $1.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (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, 2019 and 2018, Abbott held $6.8 billion and $5.1 billion, respectively, of such contracts. Contracts held at December 31, 2019 will mature in 2020 or 2021 depending upon the contract. Contracts held at December 31, 2018 matured in 2019 or will mature in 2020 depending upon the contract.

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2019 and 2018, Abbott held $9.1 billion and $13.6 billion, respectively, of such contracts, which mature in the next 13 months.

In November 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of the net investment in certain foreign subsidiaries. From the date of the borrowing through December 31, 2019, the value of this long-term debt decreased approximately $4 million to $546 million due to foreign exchange rate changes. The change in the value was recorded in Accumulated other comprehensive income (loss), net of tax. In March 2017, Abbott repaid its $479 million yen-denominated short-term debt which was designated as a hedge of the net investment in a foreign subsidiary. At December 31, 2016, the value of this short-term debt was $454 million, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2019 and 2018:

	2019			2018		
(dollars in millions)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Primarily U.S. Dollars to be exchanged for the following currencies:						
Euro	$ 7,085	1.1189	$ 65	$11,630	1.1938	$ 13
Chinese Yuan	2,177	7.0216	4	1,592	6.9055	(10)
Japanese Yen	1,092	106.8530	13	1,079	108.2188	6
All other currencies	5,532	n/a	(23)	4,388	n/a	10
Total	$15,886		$ 59	$18,689		$ 19

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 medical devices, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 64 percent of consolidated net sales.

Over the last several years, Abbott proactively shaped the company with the strategic intent to deliver sustainable growth in all of its businesses. Significant steps over the last three years included:

- In January 2017, Abbott acquired St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately $23.6 billion. As part of the acquisition, Abbott also assumed, repaid or refinanced approximately $5.9 billion of St. Jude Medical's debt. The acquisition provided expanded opportunities for future growth and is an important part of the company's effort to develop a strong, diverse portfolio.
- In October 2017, Abbott acquired Alere Inc. (Alere), a diagnostic device and service provider, for approximately $4.5 billion. As part of the acquisition, Abbott also tendered for Alere's preferred shares for a total value of approximately $0.7 billion and assumed and subsequently repaid approximately $3.0 billion of Alere's debt. The acquisition established Abbott as a leader in point of care testing, expanded Abbott's global diagnostics presence and provided access to new products, channels and geographies.
- In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash and recognized an after-tax gain of $728 million.

The increase in total sales over the last three years reflects both volume growth across Abbott's businesses and the 2017 acquisitions of St. Jude Medical and Alere. Volume growth reflects the introduction of new products as well as higher sales of existing products. Sales in emerging markets, which represent approximately 40 percent of total company sales, increased 8.2 percent in 2019 and 12.3 percent in 2018, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was positively impacted by margin improvements in various businesses, including Established Pharmaceutical Products, Diabetes Care, Rapid Diagnostics, and Structural Heart. A reduction in the costs associated with the recent business acquisitions also drove the improvement in operating margins from 2017 to 2019. In 2019, Abbott's operating margin increased by approximately 2 percentage points primarily due to lower intangible amortization expense and lower business integration and restructuring costs compared to 2018. In 2018, Abbott's operating margin increased by approximately 6 percentage points primarily due to operating margin improvement in various businesses and lower inventory step-up amortization and integration costs associated with the acquisitions.

Beginning in the fourth quarter of 2019, the results of the Diabetes Care business, which had previously been included in the non-reportable segment category, were aggregated with the results of the businesses in the Cardiovascular and Neuromodulation segment to comprise the Medical Devices reportable segment. Historic periods have been adjusted to reflect this change.

Excluding the impact of foreign exchange, sales in the Medical Devices segment increased 10.5 percent in 2019 and 9.0 percent in 2018. The sales increase in 2019 was driven primarily by higher Diabetes Care, Structural Heart, Electrophysiology and Heart Failure sales. The sales increase in 2018 was driven primarily by higher Diabetes Care, Structural Heart, Electrophysiology, and Neuromodulation sales.

In 2019, operating earnings for this segment increased 7.7 percent. The operating margin profile increased from 29.2 percent of sales in 2017 to 30.8 percent in 2019 primarily due to sales volume growth and various cost improvement initiatives, partially offset by investment spending to drive the growth of new products.

In 2019, in the Medical Devices segment, product approvals from the U.S. Food and Drug Administration (FDA) included:

- the TactiCath® contact force ablation catheter, Sensor enabled™, which is designed to help physicians treat atrial fibrillation, a form of irregular heartbeat.
- a new, expanded indication for Abbott's MitraClip® heart valve repair device to treat clinically significant secondary mitral regurgitation (MR) as a result of underlying heart failure. This new indication expands the number of people with MR that can be treated with the MitraClip device.
- the next-generation version of the MitraClip device, which includes a new leaflet grasping enhancement, an expanded range of clip sizes and facilitation of procedure assessment in real time to offer doctors further options when treating mitral valve disease.
- the Proclaim XR recharge-free neurostimulation system for people living with chronic pain which works by using low doses of mild electrical pulses to change pain signals as they travel from the spinal cord to the brain.

In March 2019, Abbott announced new data from its MOMENTUM 3 clinical study, the largest randomized controlled trial to assess outcomes in patients receiving a heart pump to treat advanced heart failure, which demonstrated Abbott's HeartMate 3® Left Ventricular Assist Device (LVAD) improved survival and clinical outcomes in this patient population. In October 2018, the FDA approved HeartMate 3 as a destination (long-term use) therapy for patients living with advanced heart failure.

In December 2019, Abbott received CE Mark approval in Europe for its next-generation high-voltage implantable cardioverter defibrillator (ICD) and cardiac resynchronization therapy defibrillator (CRT-D) devices.

In January 2020, Abbott received CE Mark approval in Europe for its Tendyne Transcatheter Mitral Valve Implantation system for the treatment of significant MR in patients requiring a heart valve replacement who are not candidates for open-heart surgery or transcatheter mitral valve repair.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October 2017, as well as continued market penetration by the core laboratory business in the U.S. and internationally. Alere's results are included in Abbott's Diagnostic Products reportable segment from the date of acquisition. Worldwide diagnostic sales increased

FINANCIAL REVIEW

5.9 percent in 2019 and 33.6 percent in 2018, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment increased 6.5 percent in 2018. The 2019 and 2018 growth includes the continued adoption by customers of Alinity®, which is Abbott's integrated family of next-generation diagnostic systems and solutions that are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results.

Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments and multiple assays for clinical chemistry and immunoassay diagnostics, respectively. Abbott has obtained regulatory approval for the "Alinity h" instrument for hematology in Europe and Japan. In 2019, Abbott continued the roll-out in Europe of its "Alinity s" blood and plasma screening system and received U.S. FDA approval for "Alinity s" and several testing assays. In 2019, Abbott also announced that it had obtained CE Mark for its "Alinity m" (molecular) diagnostics system and several testing assays.

In 2019, operating earnings for the Diagnostics segment increased 2.3 percent. The operating margin profile decreased from 26.1 percent of sales in 2017 to 24.8 percent in 2019 primarily due to dilution from the acquisition of Alere, the negative impact of foreign exchange, and costs to accelerate the roll-out of Alinity, partially offset by the continued focus on cost improvement.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by numerous new product introductions, including the roll-out of HMO in infant formula, that leveraged Abbott's strong brands. Sales were also positively affected 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. In 2019, excluding the impact of foreign exchange, total adult nutrition sales increased 6.6 percent led by the continued growth of Ensure®, Abbott's market-leading complete and balanced nutrition brand, and Glucerna®, Abbott's market-leading diabetes-specific nutrition brand, across several countries, partially offset by the unfavorable impact of the discontinuation of a non-core product line in the U.S. In 2019, excluding the impact of foreign exchange, total pediatric nutrition sales increased 3.4 percent driven by the PediaSure® and Pedialyte® brands in the U.S. as well as infant and toddler product growth across several markets in Asia and Latin America, partially offset by challenging conditions in the Greater China market.

In 2018, excluding the impact of foreign exchange, the nutritional business experienced above-market growth in the worldwide pediatric business driven by the Similac® and Pedialyte brands in the U.S. as well as growth across several markets in Asia. Worldwide, adult nutrition sales increased in 2018 led by the growth of Ensure and Glucerna.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 7.3 percent in 2019 and 7.0 percent in 2018. The sales increase in 2019 was driven by growth in several geographies including China, Brazil, Russia and India. The sales increase in 2018 was driven by double-digit growth in India and China. Operating margins increased from 19.8 percent of sales in 2017 to 20.1 percent in 2019 primarily due to the continued focus on cost reduction initiatives, partially offset by the unfavorable impact of foreign exchange.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased from approximately $9.0 billion at December 31, 2015 to $27.9 billion at December 31, 2017. In 2018, Abbott repaid approximately $8.3 billion of debt, net of borrowings, bringing its total debt to $19.6 billion at December 31, 2018. In 2019, Abbott repaid approximately $1.6 billion of debt, net of borrowings, bringing its total debt to $18.1 billion at December 31, 2019.

Abbott declared dividends of $1.32 per share in 2019 compared to $1.16 per share in 2018, an increase of approximately 14 percent. Dividends paid totaled $2.270 billion in 2019 compared to $1.974 billion in 2018. The year-over-year change in the amount of dividends paid primarily reflects the increase in the dividend rate. In December 2019, Abbott increased the company's quarterly dividend by approximately 12.5 percent to $0.36 per share from $0.32 per share, effective with the dividend paid in February 2020.

In 2020, Abbott will focus on continuing to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the medical devices business, Abbott will continue to focus on expanding its market position in various areas including diabetes care, structural heart, electrophysiology, and heart failure. In its nutritionals business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of several new science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth of its portfolio in emerging markets.

CRITICAL ACCOUNTING POLICIES

Sales Rebates — In 2019, approximately 44 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 2019 are in the Nutritional Products and Diabetes Care businesses. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2019, 2018 and 2017 amounted to approximately $3.1 billion, $3.0 billion and $2.8 billion, respectively, or 19.1 percent, 19.0 percent and 20.5 percent of gross sales, respectively, based on gross sales of approximately $16.3 billion, $16.0 billion and $13.9 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales

FINANCIAL REVIEW

would decrease net sales by approximately $163 million in 2019. 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 $169 million, $175 million and $166 million for cash discounts in 2019, 2018 and 2017, respectively, and $192 million, $191 million and $204 million for returns in 2019, 2018 and 2017, 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 accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2019, Abbott had WIC business in 26 states.

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

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2015 and the former St. Jude Medical consolidated group which are settled through 2013. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2019, 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 $4.1 billion and $434 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 15 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2019, goodwill amounted to $23.2 billion and net intangibles amounted to $17.0 billion. Amortization expense in continuing operations for intangible assets amounted to $1.9 billion in 2019, $2.2 billion in 2018 and $2.0 billion in 2017. There was no significant reduction of goodwill relating to impairments in 2019, 2018 and 2017.

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Litigation — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $95 million to $130 million for its legal proceedings and environmental exposures. Accruals of approximately $110 million have been recorded at December 31, 2019 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

RESULTS OF OPERATIONS

SALES

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

		Components of % Change			
	Total % Change	Business Acquisitions/ Divestitures	Price	Volume	Exchange
Total Net Sales					
2019 vs. 2018	4.3	—	0.2	7.3	(3.2)
2018 vs. 2017	11.6	4.9	(1.0)	8.1	(0.4)
Total U.S.					
2019 vs. 2018	5.2	—	(0.4)	5.6	—
2018 vs. 2017	12.1	8.0	(1.1)	5.2	—
Total International					
2019 vs. 2018	3.9	—	0.5	8.3	(4.9)
2018 vs. 2017	11.4	3.2	(1.0)	9.7	(0.5)
Established Pharmaceutical Products Segment					
2019 vs. 2018	1.4	—	3.0	4.3	(5.9)
2018 vs. 2017	3.2	—	2.2	4.8	(3.8)
Nutritional Products Segment					
2019 vs. 2018	2.5	—	0.9	3.9	(2.3)
2018 vs. 2017	4.4	—	0.2	4.7	(0.5)
Diagnostic Products Segment					
2019 vs. 2018	2.9	—	(0.5)	6.4	(3.0)
2018 vs. 2017	33.5	27.1	(2.0)	8.5	(0.1)
Medical Devices Segment					
2019 vs. 2018	7.6	—	(0.9)	11.4	(2.9)
2018 vs. 2017	10.1	—	(2.7)	11.7	1.1

Note: Diabetes Care sales, which had previously been reported in Other, are now included in the Medical Devices segment. Historic periods have been adjusted to reflect this change.

The increase in Total Net Sales in 2019 reflects volume growth across all of Abbott's segments. The increase in Total Net Sales in 2018 reflects the acquisition of Alere, as well as volume growth across all of Abbott's segments. The price declines related to the Medical Devices segment in 2019 and 2018 primarily reflect pricing pressures on drug eluting stents (DES) as a result of market competition in the U.S. and other major markets.

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

(dollars in millions)	2019	2018	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,392	$3,363	1%	(7)%	8%
Other	1,094	1,059	3	(3)	6
Nutritionals —					
International Pediatric Nutritionals	2,282	2,254	1	(4)	5
U.S. Pediatric Nutritionals	1,879	1,843	2	—	2
International Adult Nutritionals	2,017	1,900	6	(5)	11
U.S. Adult Nutritionals	1,231	1,232	—	—	—
Diagnostics —					
Core Laboratory	4,656	4,386	6	(4)	10
Molecular	442	484	(9)	(3)	(6)
Point of Care	561	553	2	—	2
Rapid Diagnostics	2,054	2,072	(1)	(2)	1
Medical Devices —					
Rhythm Management	2,144	2,198	(3)	(3)	—
Electrophysiology	1,721	1,561	10	(3)	13
Heart Failure	769	646	19	(1)	20
Vascular (a)	2,850	2,929	(3)	(3)	—
Structural Heart	1,400	1,239	13	(3)	16
Neuromodulation	831	864	(4)	(2)	(2)
Diabetes Care	2,524	1,933	31	(5)	36
(a) Vascular Product Lines: Coronary and Endovascular	2,740	2,778	(1)	(2)	1

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(dollars in millions)	2018	2017	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals —					
Key Emerging Markets	$3,363	$3,307	2%	(5)%	7%
Other	1,059	980	8	2	6
Nutritionals —					
International Pediatric Nutritionals	2,254	2,112	7	—	7
U.S. Pediatric Nutritionals	1,843	1,777	4	—	4
International Adult Nutritionals	1,900	1,782	7	(1)	8
U.S. Adult Nutritionals	1,232	1,254	(2)	—	(2)
Diagnostics —					
Core Laboratory	4,386	4,063	8	—	8
Molecular	484	463	5	1	4
Point of Care	553	550	—	—	—
Rapid Diagnostics	2,072	540	n/m	n/m	n/m
Medical Devices —					
Rhythm Management	2,198	2,132	3	1	2
Electrophysiology	1,561	1,353	15	1	14
Heart Failure	646	643	—	—	—
Vascular (a)	2,929	2,892	1	1	—
Structural Heart	1,239	1,083	14	1	13
Neuromodulation	864	808	7	—	7
Diabetes Care	1,933	1,414	37	2	35
(a) Vascular Product Lines: Coronary and Endovascular	2,778	2,727	2	1	1

n/m = percent change is not meaningful.

Note: Insertable Cardiac Monitor (ICM) sales, which had previously been reported in Electrophysiology, are now included in Rhythm Management. Historic periods have been adjusted to reflect this change.

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

Total Established Pharmaceutical Products sales increased 7.3 percent in 2019 and 7.0 percent in 2018, excluding the unfavorable impact of foreign exchange. The Established Pharmaceutical Products segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, total sales in these key emerging markets increased 7.9 percent in 2019 due to growth in several geographies including China, Brazil, Russia and India. In 2018, excluding the impact of foreign exchange, total sales in these key emerging markets increased 7.4 percent as sales in India and China experienced double-digit growth. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 5.6 percent in 2019 and 5.8 percent in 2018.

Total Nutritional Products sales increased 4.8 percent in 2019 and 4.9 percent in 2018, excluding the impact of foreign exchange. In 2019, the 4.6 percent increase in International Pediatric Nutritional sales, excluding the effect of foreign exchange, was driven by growth across Abbott's portfolio, including Similac and PediaSure in various countries in Asia and Latin America and Pedialyte in Latin America. This growth was partially offset by challenging market dynamics in the Greater China infant category. The 7.2 percent increase in 2018 International Pediatric Nutritional sales, excluding the effect of foreign exchange, was driven primarily by growth in Asia and Latin America. In the U.S. Pediatric Nutritional business, the 1.9 percent increase in 2019 sales reflects growth in Pedialyte and PediaSure. 2018 U.S. Pediatric Nutritional sales increased 3.7 percent primarily due to above-market performance in Abbott's infant and toddler brands, including Similac and Pedialyte.

In the International Adult Nutritional business, the 10.9 percent increase in 2019 sales, excluding the effect of foreign exchange, reflects continued growth of Ensure, Abbott's market-leading complete and balanced nutrition brand, and Glucerna, Abbott's market-leading diabetes-specific nutrition brand in several countries. In 2018, the 8.0 percent sales increase in the International Adult Nutritional business, excluding the effect of foreign exchange, was led by growth of Ensure and Glucerna in Asia and Latin America. In 2019, U.S. Adult Nutritional sales were unchanged from 2018 due to the impact of Abbott's discontinuation of a non-core product line during the third quarter of 2018 that was offset by growth in other areas of the business. In 2018, the 1.7 percent decrease in U.S. Adult Nutritional was also primarily driven by the wind down of this non-core product line.

Total Diagnostic Products sales increased 5.9 percent in 2019 and 33.6 percent in 2018, excluding the impact of foreign exchange. The sales increase in 2019 was driven by above-market growth in Core Laboratory in the U.S. and internationally, where Abbott is achieving continued adoption of its Alinity family of diagnostic instruments. In July 2019, Abbott received U.S. FDA approval for its "Alinity s" blood and plasma screening system and several testing assays. The 6.3 percent decrease in 2019 Molecular sales, excluding the effect of foreign exchange, reflects the negative impact of lower non-governmental organization purchases in Africa. In March 2019, Abbott announced that it obtained CE Mark for its "Alinity m" molecular diagnostics system and several testing assays. In Rapid Diagnostics, sales growth in 2019 in various areas, including infectious disease testing in developed markets and cardio-metabolic testing, was mostly offset by lower than expected infectious disease testing sales in Africa.

In 2018, the increase in total Diagnostic Products sales included the acquisition of Alere, which was completed on October 3, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment in 2018 increased 6.5 percent. The 2018 increase in sales was primarily driven by above-market growth in Core Laboratory in the U.S. and internationally. In 2018, Abbott accelerated the roll out of its Alinity systems for Core Laboratory in Europe.

Excluding the effect of foreign exchange, total Medical Devices sales grew 10.5 percent and 9.0 percent in 2019 and 2018, respectively. The 2019 sales increase was driven by double-digit growth in Diabetes Care, Structural Heart, Electrophysiology and Heart Failure. The 2018 sales increase was driven by growth in several areas, including double-digit growth in Diabetes Care, Electrophysiology and Structural Heart.

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The 2019 and 2018 growth in Diabetes Care revenue was driven by continued growth of FreeStyle Libre, Abbott's continuous glucose monitoring system, internationally and in the U.S. In 2019, FreeStyle Libre sales totaled $1.842 billion, which reflected a 69.8 percent increase over 2018 sales, excluding the effect of foreign exchange. In July 2018, Abbott received U.S. FDA approval of its FreeStyle Libre 14 day sensor, making it the longest lasting wearable glucose sensor available. In October 2018, Abbott obtained CE Mark for its FreeStyle Libre 2 system, a next-generation product offering with optional real-time alarms.

The 2019 growth in Structural Heart revenue was broad-based across several areas of the business, including MitraClip, Abbott's market-leading device for the minimally invasive treatment of mitral regurgitation (MR), a leaky heart valve. During the first quarter of 2019, Abbott received U.S. FDA approval for a new, expanded indication for MitraClip to treat clinically significant secondary MR as a result of underlying heart failure. This new indication expands the number of people with MR that can be treated with the MitraClip device. In July 2019, Abbott received U.S. FDA approval of the next generation of its MitraClip device, which includes a new leaflet grasping enhancement, an expanded range of clip sizes and facilitation of procedure assessment in real time to offer doctors further options when treating mitral valve disease. In 2018, growth in Structural Heart was driven by several product areas including MitraClip and the AMPLATZER® PFO occluder, a device designed to close a hole-like opening in the heart. In September 2018, Abbott announced positive clinical results from its COAPT study, which demonstrated that MitraClip improved survival and clinical outcomes for select patients with functional MR. In September 2019, Abbott announced additional data from its COAPT trial that shows that MitraClip is projected to increase life expectancy and quality of life compared to guideline-directed medical therapy alone in heart failure patients with secondary MR.

In 2019, the growth in Electrophysiology revenue reflects higher sales of cardiac diagnostic and ablation catheters in both the U.S. and internationally. In January 2019, Abbott announced U.S. FDA approval of its TactiCath® contact force ablation catheter, Sensor Enabled™, which is designed to help physicians treat atrial fibrillation, a form of irregular heartbeat. In 2018, the growth in Electrophysiology was led by higher sales in cardiac mapping and ablation catheters. In May 2018, Abbott announced U.S. FDA clearance of the Advisor HD Grid Mapping Catheter, Sensor Enabled, which creates detailed maps of the heart and expands Abbott's electrophysiology product portfolio.

In 2019, the growth in Heart Failure revenue was driven by rapid market adoption in the U.S. of Abbott's HeartMate 3® Left Ventricular Assist Device (LVAD) following FDA approval in October 2018 as a destination (long-term use) therapy for people living with advanced heart failure as well as higher sales of Abbott's CardioMEMS® heart failure monitoring system. In March 2019, Abbott announced new data from its MOMENTUM 3 clinical study, the largest randomized controlled trial to assess outcomes in patients receiving a heart pump to treat advanced heart failure, which demonstrated HeartMate 3 improved survival and clinical outcomes in this patient population. In 2018, growth in international Heart Failure sales was offset by lower U.S. sales.

In Vascular, excluding the effect of foreign exchange, sales in 2019 were flat as the 1.3 percent increase in coronary and endovascular product sales, which includes drug-eluting stents, balloon catheters, guidewires, vascular imaging/diagnostics products, vessel closure, carotid and other coronary and peripheral products, was offset by reductions in royalty and contract manufacturing revenue. In 2018, growth in Vascular imaging, vessel closure and other endovascular revenues was partially offset by lower DES sales due to lower U.S. market share and price erosion in various markets. During the second quarter of 2018, Abbott received approval from the U.S. FDA for the XIENCE Sierra Drug Eluting Stent System, the newest generation of its coronary stent system. During the second quarter of 2018, the XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease.

In Rhythm Management, higher 2019 international sales, excluding the effect of foreign exchange, were offset by a 4.4 percent decrease in U.S. revenue. In 2018, market share gains in the new patient segment for Rhythm Management and the U.S. launch of Abbott's Confirm Rx® Insertable Cardiac Monitor (ICM), the world's first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias, were partially offset by replacement cycle dynamics.

In 2019, the 2.4 percent decline in Neuromodulation sales, excluding the effect of foreign exchange, reflects a 4.2 percent decline in U.S. sales. In 2018, the growth in Neuromodulation reflects higher revenue for various products for the treatment of chronic pain and movement disorders.

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 2019, 2018 and 2017.

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

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

OPERATING EARNINGS

Gross profit margins were 52.5 percent of net sales in 2019, 51.3 percent in 2018 and 47.5 percent in 2017. In 2019, the increase primarily reflects lower intangible amortization expense and lower integration and restructuring costs. In 2018, the increase primarily reflects lower inventory step-up amortization related to the St. Jude Medical and Alere acquisitions and margin improvements in various businesses.

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Research and development (R&D) expense was $2.4 billion in 2019, $2.3 billion in 2018, and $2.3 billion in 2017 and represented a 6.1 percent increase in 2019, and a 1.7 percent increase in 2018. The increase in R&D spending in 2019 primarily reflects higher spending on the acquisition of R&D assets which were immediately expensed. In 2019, spending on R&D assets totaled $116 million and included the acquisition of an R&D asset valued at $102 million that was acquired in conjunction with the acquisition of Cephea Valve Technologies, Inc. In 2018, Abbott acquired R&D assets valued at $47 million which were also immediately expensed. The 2019 increase in R&D expense was also driven by higher R&D spending in various businesses, primarily in Medical Devices, partially offset by the favorable effect of foreign exchange. The 2018 increase in R&D expenses was primarily due to higher spending on various projects, partially offset by lower restructuring and integration costs. In 2019, R&D expenditures totaled $1.2 billion for the Medical Devices segment, $553 million for the Diagnostic Products segment, $193 million for the Nutritional Products segment and $185 million for the Established Pharmaceutical Products segment.

Selling, general and administrative (SG&A) expenses were basically flat in 2019 and increased 6.1 percent in 2018 versus the respective prior year. In 2019, the favorable effect of foreign exchange and lower acquisition-related integration costs offset higher selling and marketing costs to drive continued growth across various businesses. The 2018 increase was primarily due to the impact of the acquisition of the Alere business in October 2017, as well as higher spending to drive continued growth and market expansion in various businesses, partially offset by lower acquisition-related expenses.

BUSINESS ACQUISITIONS

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November 2016 and a $2.0 billion 120-day senior unsecured bridge term loan facility which was subsequently repaid. As part of the acquisition, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid or refinanced by Abbott. The acquisition provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined business competes in nearly every area of the cardiovascular device market, as well as in the neuromodulation market.

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

On October 3, 2017, Abbott acquired Alere, a diagnostic device and service provider, for $51.00 per common share in cash, which equated to a purchase price of approximately $4.5 billion. As part of the acquisition, Abbott tendered for Alere's preferred shares for a total value of approximately $0.7 billion. In addition, approximately $3.0 billion of Alere's debt was assumed and subsequently repaid. The acquisition establishes Abbott as a leader in point of care testing, expands Abbott's global diagnostics presence and provides access to new products, channels and geographies. Abbott utilized a combination of cash on hand and debt to fund the acquisition. See Note 11 — Debt and Lines of Credit for further details regarding the debt utilized for the acquisition.

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

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

RESTRUCTURINGS

From 2017 to 2019, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Medical Devices segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately $72 million in 2019, $52 million in 2018 and $187 million in 2017. Approximately $19 million in 2019, $5 million in 2018 and $5 million in 2017 are recorded in Cost of products sold, approximately $4 million in

2019 and $10 million in 2018 are recorded in Research and development, and approximately $49 million in 2019, $37 million in 2018 and $182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately $23 million as part of the St Jude Medical and Alere acquisitions.

From 2016 to 2019, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately $66 million in 2019, $28 million in 2018 and $120 million in 2017. Approximately $16 million in 2019, $10 million in 2018 and $7 million in 2017 are recorded in Cost of products sold, approximately $28 million in 2019, $2 million in 2018 and $77 million in 2017 are recorded in Research and development, and approximately $22 million in 2019, $16 million in 2018 and $36 million in 2017 are recorded in Selling, general and administrative expense. Additional charges of approximately $2 million in 2017 were recorded, primarily for accelerated depreciation.

INTEREST EXPENSE AND INTEREST (INCOME)

Interest expense decreased $156 million in 2019 due to the favorable impact of the euro debt financing in September 2018, as well as the repayment of debt in 2018 and the first quarter of 2019. In 2018, interest expense decreased primarily due to the net repayment of $8.3 billion of debt, partially offset by lower interest income due to lower cash balances. In 2017, interest expense increased primarily due to the $15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017.

DEBT EXTINGUISHMENT COSTS

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

On October 28, 2018, Abbott redeemed approximately $4 billion of debt, which included $750 million principal amount of its 2.00% Notes due 2020; $597 million principal amount of its 4.125% Notes due 2020; $900 million principal amount of its 3.25% Notes due 2023; $450 million principal amount of its 3.4% Notes due 2023; and $1.300 billion principal amount of its 3.75% Notes due 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

On March 22, 2018, Abbott redeemed all of the $947 million principal amount of its 5.125% Notes due 2019, as well as $1.055 billion of the $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, for 2019, 2018 and 2017 includes approximately $225 million, $160 million, and $160 million of income in each year, respectively, related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. 2017 includes a pre-tax gain of $1.163 billion on the sale of AMO to Johnson & Johnson.

TAXES ON EARNINGS

The income tax rates on earnings from continuing operations were 9.6 percent in 2019, 18.8 percent in 2018 and 84.2 percent in 2017.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott completed its accounting for all of the enactment date income tax effects of the TCJA.

Effective for fiscal years beginning after December 31, 2017, the TCJA subjects taxpayers to tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. In January 2018, the FASB staff provided guidance that an entity may make an accounting policy election to either recognize deferred taxes related to items that will give rise to GILTI in future years or provide for the tax expense related to GILTI in the year that the tax is incurred. Abbott has elected to treat the GILTI tax as a period expense and provide for the tax in the year that the tax is incurred.

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of $1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately $2.89 billion for the transition tax, partially offset by a net benefit of approximately $1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately $10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded $130 million of additional tax expense which increased the final tax expense related to the TCJA to $1.59 billion. The $130 million of additional tax expense reflects a $120 million increase in the transition tax from $2.89 billion to $3.01 billion and a $10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities. In 2019, taxes on earnings from continuing operations include an $86 million reduction to the transition tax. The $86 million reduction to the transition tax liability was the result of the issuance of final transition tax regulations by the U.S. Department of Treasury in 2019. This adjustment decreased the cumulative net tax expense related to the TCJA to $1.50 billion.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2019, the remaining balance of Abbott's transition tax obligation is approximately $1.33 billion, which will be paid over the next seven years as allowed by the TCJA.

In 2019, taxes on earnings from continuing operations included $68 million of tax expense resulting from tax legislation enacted in the fourth quarter of 2019 in India. In 2018, taxes on earnings from continuing operations included $98 million of net tax expense related to the settlement of Abbott's 2014-2016 federal income tax audit in the U.S., partial settlement of the former St. Jude Medical consolidated group's 2014 and 2015 federal income tax returns in the U.S. and audit settlements in various countries. In 2017, taxes

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on earnings from continuing operations include $435 million of tax expense related to the gain on the sale of the AMO business.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, Costa Rica, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 16 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

DISCONTINUED OPERATIONS

Earnings from discontinued operations, net of tax of $34 million and $124 million, in 2018 and 2017, respectively, were driven primarily by the recognition of net tax benefits as a result of the resolution of various tax positions pertaining to AbbVie's operations for years prior to the separation. On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

BUSINESS DISPOSITION

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

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 Premarket Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the European Union (EU), diagnostic products are also categorized into different categories and the regulatory process, which has been governed by the European In Vitro Diagnostic Medical Device Directive, depends upon the category, with certain product categories requiring review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to declare conformity to the Directive.

Other products only require a self-certification process. In the second quarter of 2017, the EU adopted the new In Vitro Diagnostic Regulation (IVDR) which replaces the existing directive in the EU for in vitro diagnostic products. The IVDR will apply after a five-year transition period and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products.

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

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

In the EU, medical devices are also categorized into different classes and the regulatory process, which has been governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. In the second quarter of 2017, the EU adopted the new Medical Devices Regulation (MDR) which replaces the existing directives in the EU for medical devices. The MDR will apply after a three to five-year (depending on product classification) transition period and imposes additional premarket and postmarket regulatory requirements on manufacturers of such products.

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

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

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

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

AREAS OF FOCUS

In 2020 and beyond, Abbott's significant areas of therapeutic focus will include the following:

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

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

- *Cardiac Rhythm Management* – Development of next-generation rhythm management technologies, including enhanced patient engagement and expanded magnetic resonance (MR)-compatibility.
- *Heart Failure* – Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.
- *Electrophysiology* – Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.
- *Vascular* – Development of next-generation technologies for use in coronary and peripheral vascular procedures.
- *Structural Heart* – Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.
- *Neuromodulation* – Development of next-generation technologies with enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.
- *Diabetes Care* – Develop enhancements and additional indications for the FreeStyle Libre platform of continuous glucose monitoring products to help patients improve their ability to manage diabetes.

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

Molecular Diagnostics — Several new molecular in vitro diagnostic (IVD) tests and "Alinity m", a next generation instrument system, are in various stages of development and launch.

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

Nutritionals — Abbott is focusing its research and development spend on platforms that span the pediatric and adult nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

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 2019 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.0 percent of total Abbott sales in 2020. 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, 2019, goodwill recorded as a result of business combinations totaled $23.2 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

FINANCIAL CONDITION

CASH FLOW

Net cash from operating activities amounted to $6.1 billion, $6.3 billion and $5.6 billion in 2019, 2018 and 2017, respectively. The decrease in Net cash from operating activities in 2019 was primarily due to an increased investment in working capital, timing of pension contributions relative to 2018 and higher income tax payments, partially offset by the favorable cash flow impact of improved segment operating earnings and lower interest and acquisition-related expenses. The increase in Net cash from operating activities in 2018 was primarily due to higher segment operating earnings, continued improvements in working capital management, timing of pension contributions and lower acquisition-related expenses. The income tax component of cash from operating activities in 2018 includes the non-cash impact of the $120 million adjustment to the transition tax associated with the TCJA. The income tax component of operating cash flow in 2017 includes the non-cash impact of $1.46 billion of net tax expense related to the estimated impact of the TCJA.

While a significant portion of Abbott's cash and cash equivalents at December 31, 2019, are reinvested in foreign subsidiaries, Abbott does not expect such reinvestment to affect its liquidity and capital resources. Due to the enactment of the TCJA, if these funds were needed for operations in the U.S., Abbott does not expect to incur significant additional income taxes in the future to repatriate these funds.

Abbott funded $382 million in 2019, $114 million in 2018 and $645 million in 2017 to defined benefit pension plans. Abbott expects pension funding of approximately $387 million in 2020 for its pension plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

DEBT AND CAPITAL

At December 31, 2019, Abbott's long-term debt rating was A- by Standard & Poor's Corporation and A3 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to $5 billion on an unsecured basis. The lines of credit are part of a 2018 revolving credit agreement that expires in 2023. Any borrowings under the current revolving credit agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased to $27.9 billion at December 31, 2017. The increase in debt included the following transactions:

- In the first quarter of 2017, as part of the acquisition of St. Jude Medical, approximately $5.9 billion of St. Jude Medical's debt was assumed, repaid, or refinanced by Abbott. This included the exchange of certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for approximately $2.9 billion of debt issued by Abbott. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remained outstanding. There were no significant costs associated with the exchange of this debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.
- In 2017, Abbott borrowed $2.8 billion on an unsecured basis under a 5-year term loan agreement and borrowed $1.7 billion under its lines of credit. Proceeds from such borrowings were used to finance the acquisition of Alere, to repay certain

indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The borrowings bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off the term loan in January 2018, ahead of its 2022 due date and paid off $550 million of the line of credit in the fourth quarter of 2017 and the remaining $1.15 billion on January 5, 2018. In the fourth quarter of 2017, in conjunction with the acquisition of Alere, Abbott assumed and subsequently repaid $3.0 billion of Alere's debt.

- In 2017, Abbott also paid off a $479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which $201 million and $199 million was outstanding at December 31, 2019 and 2018, respectively.

In 2018, Abbott committed to reducing its debt levels and on February 16, 2018, the board of directors authorized the early redemption of up to $5 billion of outstanding long-term notes. Redemptions under this authorization during 2018 included $0.947 billion principal amount of its 5.125% Notes due 2019 and $2.850 billion principal amount of its 2.35% Notes due 2019. Abbott incurred a net charge of $14 million related to the early repayment of this debt.

On September 17, 2018, Abbott repaid upon maturity the $500 million aggregate principal amount outstanding of the 2.00% Senior Notes due 2018.

On September 27, 2018, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €3.420 billion of long-term debt. The proceeds equated to approximately $4 billion. The notes are guaranteed by Abbott.

On October 28, 2018, Abbott redeemed $4.0 billion principal amount of its outstanding long-term debt. This amount is in addition to the $5 billion authorization discussed above. In conjunction with the redemption, Abbott unwound approximately $1.1 billion in interest rate swaps relating to the 3.40% Note due in 2023 and the 3.75% Note due in 2026. Abbott incurred a net charge of $153 million related to the early repayment of this debt and the unwinding of related interest rate swaps.

The 2018 transactions described above, including the repayment of $2.8 billion under the 5-year term loan and $1.15 billion of borrowings under the lines of credit, resulted in the net repayment of approximately $8.3 billion of debt.

On February 24, 2019, Abbott redeemed the $500 million outstanding principal amount of its 2.80% Notes due 2020.

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

On November 19, 2019, Abbott's wholly owned subsidiary, Abbott Ireland Financing DAC, completed a euro debt offering of €1.180 billion of long-term debt. The proceeds equated to approximately $1.3 billion. The Notes are guaranteed by Abbott.

On November 21, 2019, Abbott borrowed ¥59.8 billion under a 5-year term loan and designated the yen-denominated loan as a hedge of its net investment in certain foreign subsidiaries. The term loan bears interest at TIBOR plus a fixed spread, and the interest rate is reset quarterly. The proceeds equated to approximately $550 million.

The 2019 transactions described above resulted in the repayment of approximately of $1.6 billion of debt, net of borrowings, bringing Abbott's total debt to $18.1 billion at December 31, 2019.

In September 2014, the board of directors authorized the repurchase of up to $3.0 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 36.2 million shares at a cost of $1.666 billion in 2015, 10.4 million shares at a cost of $408 million in 2016, 1.9 million shares at a cost of $130 million in 2018, and 6.3 million shares at a cost of $525 million in 2019 for a total of approximately $2.730 billion. In October 2019, the board of directors authorized the repurchase of up to $3 billion of Abbott's common shares from time to time. The new authorization is in addition to the $270 million unused portion of the share repurchase program authorized in 2014.

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

Abbott declared dividends of $1.32 per share in 2019 compared to $1.16 per share in 2018, an increase of approximately 14 percent. Dividends paid were $2.270 billion in 2019 compared to $1.974 billion in 2018. The year-over-year change in dividends paid primarily reflects the impact of the increase in the dividend rate.

WORKING CAPITAL

Working capital was $4.8 billion at December 31, 2019 and $5.6 billion at December 31, 2018. The decrease in working capital in 2019 reflects the presentation of $1.3 billion of Senior Notes due 2020 as current liabilities at December 31, 2019, partially offset by an overall net increase in working capital of approximately $485 million due to changes in accounts receivable, inventory and accounts payable associated with the growth of the business.

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

CAPITAL EXPENDITURES

Capital expenditures of $1.6 billion in 2019, $1.4 billion in 2018 and $1.1 billion in 2017 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, 2019.

		Payments Due By Period			
(in millions)	Total	2020	2021-2022	2023-2024	2025 and Thereafter
Long-term debt, including current maturities	$18,049	$1,278	$ 757	$3,527	$12,487
Interest on debt obligations	9,432	576	1,137	1,061	6,658
Operating lease obligations	1,138	238	352	195	353
Purchase commitments (a)	3,187	2,974	194	11	8
Other long-term liabilities (b)	4,117	–	1,885	1,178	1,054
Total (c)	$35,923	$5,066	$4,325	$5,972	$20,560

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

(b) Other long-term liabilities include estimated payments for the transition tax under the TCJA, net of applicable credits.

(c) Net unrecognized tax benefits totaling approximately $580 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 16 – Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 15 – Post-employment Benefits.

CONTINGENT OBLIGATIONS

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

LEGISLATIVE ISSUES

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

RECENTLY ISSUED ACCOUNTING STANDARDS

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

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from Accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). Abbott adopted the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately $337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Abbott adopted the standard on January 1, 2018, using a modified retrospective approach and recorded a cumulative catch-up adjustment to Earnings employed in the business in the Consolidated Balance Sheet that was not significant.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses,* which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The new standard will be effective for Abbott at the beginning of 2020. Adoption of the new standard will not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to measure and recognize a lease asset and liability on the balance sheet for most leases, including operating leases. Abbott adopted the new standard as of January 1, 2019 using the modified retrospective approach and applied the standard's transition provisions as of January 1, 2019. As a result, no changes were made to the December 31, 2018 Consolidated Balance Sheet. Abbott elected to apply the package of practical expedients related to transition. These practical expedients allowed Abbott to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2019, and whether any initial direct costs for such leases qualified for capitalization.

FINANCIAL REVIEW

The new lease accounting standard did not have a material impact on the amounts reported in the Consolidated Statement of Earnings but does have a material impact on the amounts reported in the Consolidated Balance Sheet. Adoption of the new standard resulted in the recording of approximately $850 million of new right of use (ROU) assets and additional liabilities for operating leases on the Consolidated Balance Sheet as of January 1, 2019.

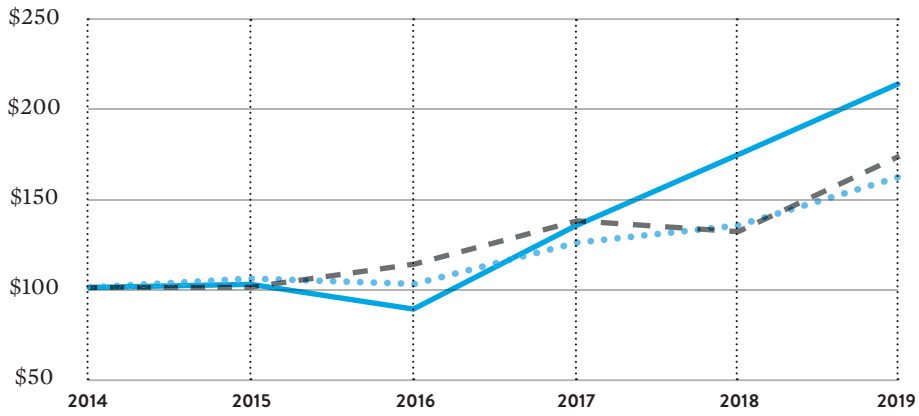
In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Abbott adopted the standard on January 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in Other (income) expense, net within the Consolidated Statement of Earnings. Previously, such fair value changes were recorded in other comprehensive income. Abbott has elected the measurement alternative allowed by ASU 2016-01 for its equity investments without readily determinable fair values. These investments are measured at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Changes in the measurement of these investments are being recorded in Other (income) expense, net within the Consolidated Statement of Earnings. As part of the adoption, the cumulative-effect adjustment to Earnings employed in the business in the Consolidated Balance Sheet for net unrealized losses on equity investments that were recorded in Accumulated other comprehensive income (loss) as of December 31, 2017 was not significant.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of $23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

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

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

PERFORMANCE GRAPH



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

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

Assuming $100 invested on December 31, 2014 with dividends reinvested.

SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in millions except per share data)

Year Ended December 31		2019	2018	2017	2016	2015
Summary of Operations:						
Net Sales	$	31,904	30,578	27,390	20,853	20,405
Cost of products sold	$	15,167	14,884	14,384	9,644	9,354
Research & development	$	2,440	2,300	2,260	1,447	1,408
Selling, general, and administrative	$	9,765	9,744	9,182	6,736	6,791
Operating earnings	$	4,532	3,650	1,564	3,026	2,853
Interest expense	$	670	826	904	431	163
Interest income	$	(94)	(105)	(124)	(99)	(105)
Other (income) expense, net (a)	$	(121)	56	(1,447)	1,281	(388)
Earnings before taxes	$	4,077	2,873	2,231	1,413	3,183
Taxes on earnings from continuing operations	$	390	539	1,878	350	577
Earnings from continuing operations	$	3,687	2,334	353	1,063	2,606
Net earnings	$	3,687	2,368	477	1,400	4,423
Basic earnings per common share from continuing operations	$	2.07	1.32	0.20	0.71	1.73
Basic earnings per common share	$	2.07	1.34	0.27	0.94	2.94
Diluted earnings per common share from continuing operations	$	2.06	1.31	0.20	0.71	1.72
Diluted earnings per common share	$	2.06	1.33	0.27	0.94	2.92
Financial Positions:						
Working capital (b)	$	4,804	5,620	11,235	20,116	4,969
Long-term investment securities	$	883	897	883	2,947	4,041
Net property & equipment	$	8,038	7,563	7,607	5,705	5,730
Total assets	$	67,887	67,173	76,250	52,666	41,247
Long-term debt, including current portion	$	17,938	19,366	27,718	20,684	5,874
Shareholders' investment	$	31,301	30,722	31,098	20,717	21,326
Book value per share	$	17.76	17.50	17.84	14.07	14.48
Other Statistics:						
Gross profit margin	%	52.5	51.3	47.5	53.8	54.2
Research and development to net sales	%	7.6	7.5	8.3	6.9	6.9
Net cash from operating activities	$	6,136	6,300	5,570	3,203	2,966
Capital expenditures	$	1,638	1,394	1,135	1,121	1,110
Cash dividends declared per common share	$	1.32	1.16	1.075	1.045	0.98
Common shares outstanding (in thousands)		1,762,503	1,755,619	1,743,602	1,472,869	1,472,665
Number of common shareholders		38,990	42,827	44,581	45,545	47,278
Market price per share - high	$	89.24	74.92	57.77	45.79	51.74
Market price per share - low	$	65.50	55.58	38.34	36.00	39.00
Market price per share - close	$	86.80	72.33	57.07	38.41	44.91

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

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

DIRECTORS AND CORPORATE OFFICERS

DIRECTORS

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

Roxanne S. Austin
President and Chief Executive Officer Austin Investment Advisors, Newport Beach, Calif.

Sally E. Blount, Ph.D.
Michael L. Nemmers Professor of Strategy and former Dean of the J.L. Kellogg Graduate School of Management at Northwestern University, Evanston, Ill.

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President and Chief Operating Officer, Abbott Laboratories

Michelle A. Kumbier
Senior Vice President and Chief Operating Officer, Harley-Davidson Motor Company, Milwaukee, Wisc.

Edward M. Liddy
Retired Chairman and CEO, The Allstate Corporation, Northbrook, Ill.

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

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Phebe N. Novakovic
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Retired Chairman, President and Chief Executive Officer, Corn Products International, Inc., Westchester, Ill.

Daniel J. Starks
Retired Chairman, President and Chief Executive Officer of St. Jude Medical, Inc., St. Paul, Minn.

John G. Stratton
Retired Executive Vice President and President of Global Operations, Verizon Communications Inc., New York, NY

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

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

SENIOR MANAGEMENT

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Chairman of the Board and Chief Executive Officer

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President and Chief Operating Officer

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

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Executive Vice President, Ventures

Lisa D. Earnhardt*
Executive Vice President, Medical Devices

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

John F. Ginascol*
Executive Vice President, Core Diagnostics

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Executive Vice President, Established Pharmaceuticals

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Executive Vice President, Rapid and Molecular Diagnostics

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Senior *Vice President, Structural Heart*

J. Scott House
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Senior Vice President, Established Pharmaceuticals, Emerging Markets

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Senior Vice President, International Nutrition

Michael J. Pederson*
Senior Vice President, Electrophysiology and Heart Failure

Christoper J. Scoggins*
Senior Vice President, Rapid Diagnostics

Jared L. Watkin*
Senior Vice President, Diabetes Care

Alejandro D. Wellisch*
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Randel W. Woodgrift*
Senior Vice President, CRM

CORPORATE VICE PRESIDENTS

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Venu Ambati
Vice President, Established Pharmaceuticals, India

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Vice President, Neuromodulation

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Vice President, Public Affairs and Corporate Marketing

P. Claude Burcky
Vice President, Government Affairs

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Vice President, Abbott Diagnostics Division, China

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Vice President, Chief Economist

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Vice President, Clinical, Regulatory and Health Economics Outcomes Research, Cardiovascular and Neuromodulation

Daman Kowalski
Vice President, Molecular Diagnostics

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Vice President, Diabetes Care, Commercial Operations

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Mark W. Murphy, II
Vice President, Business and Technology Services

Martin Nordenstahl
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Joseph L. Novak
Vice President, Taxes

Karen M. Peterson
Vice President, Treasurer

William R. Phillips
Vice President, CRM Commercial Operations

Eric Shroff
Vice President, Abbott Point of Care

Harvinder Singh
Vice President, Commercial Operations, Abbott Vascular

King Hon To
Vice President, Core Lab Diagnostics Commercial Operations, Asia Pacific

Frank Weitekamper
Vice President, Abbott Transition Organization

Monica J. Wilkins
Vice President, Regulatory and Quality

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

**Denotes executive officer*

SHAREHOLDER AND CORPORATE INFORMATION

SHARES LISTING

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

QUARTERLY DIVIDEND DATES

Dividends are expected to be declared, recorded, and paid on the following schedule in 2020, pending approval by the Board of Directors:

Quarter	Declared	Recorded	Paid
First	2/21	4/15	5/15
Second	6/12	7/15	8/17
Third	9/17	10/15	11/16
Fourth	12/11	1/15/21	2/16/21

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 listed in the right-hand column, or call Abbott's Investor Newsline.

DIVIDEND DIRECT DEPOSIT

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

DIRECT REGISTRATION SYSTEM

In August 2008, Abbott implemented a Direct Registration System (DRS) for all registered shareholder transactions. Shareholders will be sent a statement in lieu of a physical stock certificate for Abbott Laboratories common shares. 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, 2020, at Abbott's corporate headquarters. Questions regarding the annual meeting may be directed to the Corporate Secretary. A copy of Abbott's 2019 Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available on Abbott's Web site at www.abbott.com or by calling the Investor Newsline (above, right).

CEO AND CFO CERTIFICATIONS

In 2019, Abbott's chief executive officer (CEO) provided to the New York Stock Exchange the annual CEO certification regarding Abbott's compliance with the New York Stock Exchange's corporate-governance listing standards. In addition, Abbott's CEO and chief financial officer (CFO) filed with the U.S. Securities and Exchange Commission all required certifications regarding the quality of Abbott's public disclosures in its fiscal 2019 reports.

INVESTOR NEWSLINE

(224) 667-7300

INVESTOR RELATIONS

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SHAREHOLDER INFORMATION

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

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

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 2019 Form 10-K and are incorporated by reference. We undertake no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

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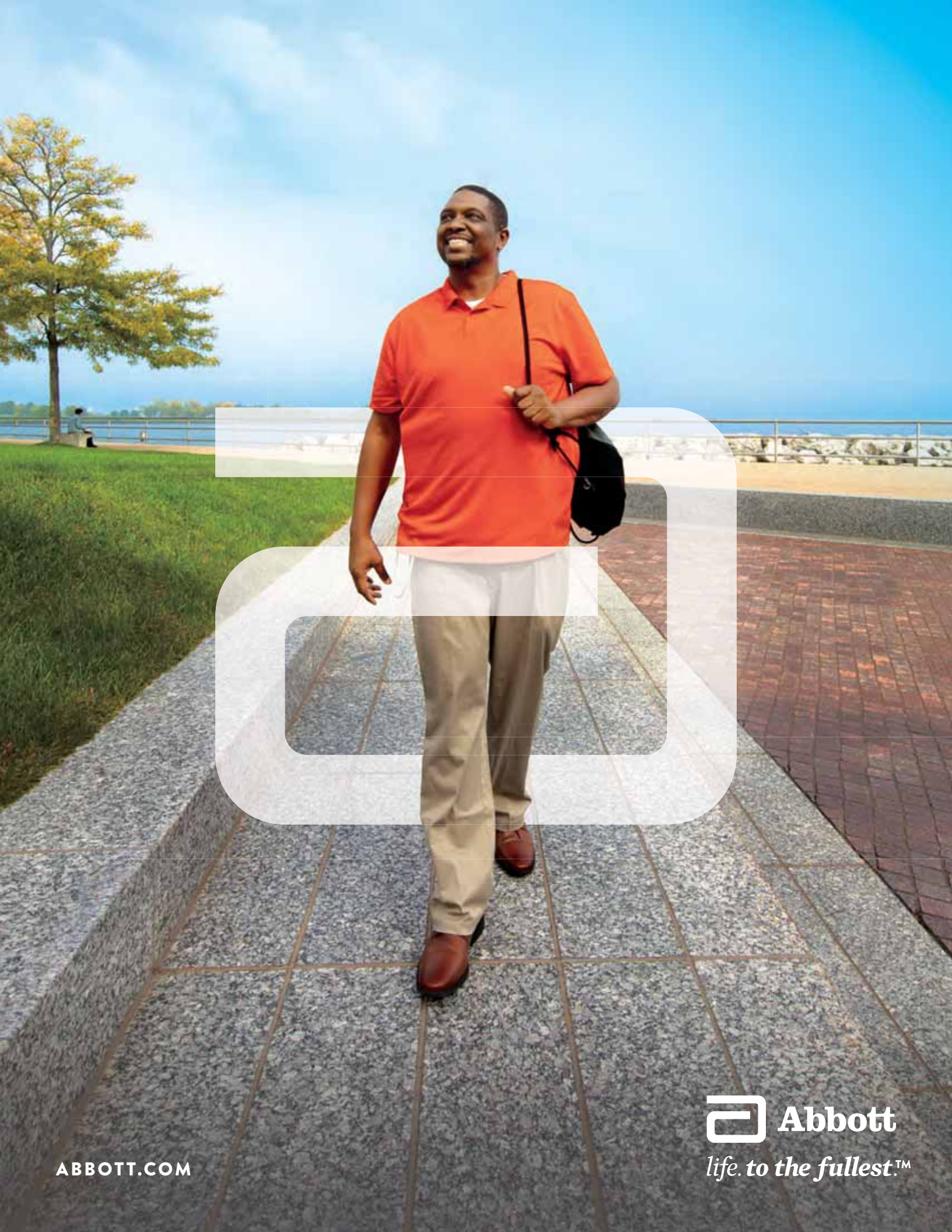
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