ABBOTT LABORATORIES
Form 10-K
February 18, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

(MARK ONE)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation
100 Abbott Park Road
Abbott Park, Illinois 60064-6400

36-0698440
(I.R.S. employer identification number)
(847) 937-6100
(telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	New York Stock Exchange Chicago Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý **No o**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes o **No ý**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý **No o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No ý

The aggregate market value of the 1,489,596,595 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2010), was $69,683,328,714. Abbott has no non-voting common equity.

Number of common shares outstanding as of January 31, 2011: 1,547,581,805

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2011 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 15, 2011.

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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Abbott Laboratories is an Illinois corporation, incorporated in 1900. Abbott's* principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products.

FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS, GEOGRAPHIC AREAS, AND CLASSES OF SIMILAR PRODUCTS

Incorporated herein by reference is Note 6 entitled "Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data" and the sales information related to Humira® included in "Financial Review."

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable revenue segments: Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Vascular Products.

On February 15, 2010, Abbott completed its acquisition of the Solvay Group's pharmaceuticals business for approximately $6.1 billion, in cash, plus additional payments of up to EUR 100 million per year if certain sales milestones are met in 2011, 2012, and 2013.

On September 8, 2010, Abbott acquired Piramal Healthcare Limited's Healthcare Solutions business, a leader in the Indian branded generics market, for $2.2 billion, in cash, plus additional payments of $400 million annually in 2011, 2012, 2013, and 2014.

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* As used throughout the text of this report on Form 10-K, the term "Abbott" refers to Abbott Laboratories, an Illinois corporation, or Abbott Laboratories and its consolidated subsidiaries, as the context requires.

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Pharmaceutical Products

These products include a broad line of adult and pediatric pharmaceuticals manufactured, marketed, and sold worldwide and are generally sold directly to wholesalers, distributors, government agencies, health care facilities, specialty pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served. Certain products are co-marketed or co-promoted with other companies. In April 2010, Abbott acquired the outstanding shares of Facet Biotech Corporation for approximately $430 million, in cash, net of cash held by Facet. The acquisition enhances Abbott's early- and mid-stage pharmaceutical pipeline, including a biologic for multiple sclerosis and compounds that complement Abbott's oncology program.

The principal products included in the Pharmaceutical Products segment are:

Humira®, for the treatment of rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, psoriasis, and Crohn's disease;

TriCor®, Trilipix®, Simcor®, and Niaspan®, for the treatment of dyslipidemia;

Kaletra®, Aluvia , and Norvir®, protease inhibitors for the treatment of HIV infection;

Lupron®, also marketed as Lucrin®, and Lupron Depot®, used for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty, and for the preoperative treatment of patients with anemia caused by uterine fibroids;

Synagis®, for the treatment and prevention of respiratory syncytial virus (RSV);

AndroGel®, for the treatment of adult males who have low or no testosterone;

the anesthesia products sevoflurane (sold in the United States under the trademark Ultane® and outside of the United States primarily under the trademark Sevorane® and in a few other markets as Ultane®), isoflurane, and enflurane;

Zemplar®, for the prevention and treatment of secondary hyperparathyroidism associated with chronic kidney disease and Stage 5 treatment;

Synthroid®, for the treatment of hypothyroidism;

the anti-infective clarithromycin (sold under the trademarks Biaxin®, Klacid®, and Klaricid®); and

Creon®, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis.

The Pharmaceutical Products segment directs its primary marketing efforts toward securing the prescription, or recommendation of Abbott's brand of products by physicians. Managed care providers (for example, health maintenance organizations and pharmacy benefit managers) and state and federal governments and agencies (for example, the United States Department of Veterans Affairs and the United States Department of Defense) are also important customers.

Competition in the Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. The search for technological innovations in pharmaceutical products is a significant aspect of competition in this segment. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence in the Pharmaceutical Products segment. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products that are off-patent.

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Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate-care testing sites, and plasma protein therapeutic companies. The segment's products are generally marketed and sold directly from Abbott-owned distribution centers and public warehouses and third-party distributors. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served.

The principal products included in the Diagnostic Products segment are:

- immunoassay systems, including ARCHITECT®, AxSYM®, and ABBOTT PRISM®;
- chemistry systems such as ARCHITECT® c4000®, c8000®, and c16000®;
- assays used for screening and/or diagnosis for drugs of abuse, cancer, therapeutic drug monitoring, fertility, physiological diseases, and infectious diseases such as hepatitis and HIV;
- the m2000 , an instrument that automates the extraction, purification, and preparation of DNA and RNA from patient samples and detects and measures infectious agents including HIV, HBV, HCV, HPV, and CT/NG;
- the Vysis® product line of genomic-based tests, including the PathVysion® HER-2 DNA probe kit and the UroVysion® bladder cancer recurrence kit;
- a full line of hematology systems and reagents known as the Cell-Dyn® series; and
- the i-STAT® point-of-care diagnostic systems and tests for blood analysis.

In addition, under a distribution agreement with Celera Group, the Diagnostic Products segment exclusively distributes certain Celera molecular diagnostic products, including the ViroSeq® HIV genotyping system and products used for the detection of mutations in the CFTR gene, which causes cystic fibrosis.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

Nutritional Products

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served.

Principal products in the Nutritional Products segment include:

- various forms of prepared infant formula and follow-on formula, including Similac®Advance®, Similac Advance EarlyShield®, Similac®, Similac® with Iron, Similac Sensitive®, Similac Sensitive® RS, Similac Go&Grow®, Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Isomil® Advance®, Isomil®, Alimentum®, Gain , and Grow ;

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adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Muscle Health, Glucerna®, ProSure , PediaSure®, PediaSure Sidekicks®, EleCare®, Juven®, Abound , and Pedialyte®;

nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, and Nepro®; and

Zone Perfect® bars and the EAS® family of nutritional brands, including Myoplex® and AdvantEdge®.

Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Gain , Grow , PediaSure®, PediaSure Sidekicks®, Pedialyte®, Ensure®, Zone Perfect®, EAS®/Myoplex®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets.

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, intellectual property, price, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

Vascular Products

These products include a broad line of coronary, endovascular, vessel closure, and structural heart devices for the treatment of vascular disease manufactured, marketed and sold worldwide. The segment's products are generally marketed and sold directly to hospitals from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served.

The principal products included in the Vascular Products segment are:

Xience Prime and Xience V® drug-eluting stent systems developed on the Multi-Link Vision® platform;

Multi-Link 8 , Multi-Link Vision® and Multi-Link Mini Vision® coronary metallic stents;

TREK® and Voyager® balloon dilatation products;

Hi-Torque Balance Middleweight Elite and Asahi® coronary guidewires;

StarClose® and Perclose® vessel closure devices;

Acculink®/Accunet® and Xact®/Emboshield NAV^{6}® carotid stent systems;

MitraClip®, a percutaneous valve repair system; and

ABSORB , a drug eluting bioresorbable vascular scaffold.

The Vascular Products segment's products are subject to competition in technological innovation, price, convenience of use, service, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

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Other Products

The principal products in Abbott's other businesses include blood glucose monitoring meters, test strips, data management software and accessories for people with diabetes, including the FreeStyle® product line, and medical devices for the eye, including cataract surgery, LASIK surgery, contact lens care products, and dry eye products. These products are mostly marketed worldwide and generally sold directly to wholesalers, government agencies, health care facilities, mail order pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Some of these products are marketed and distributed through distributors. Blood glucose monitoring meters, contact lens care products, and dry eye products are also marketed and sold over-the-counter to consumers. These products are subject to competition in technological innovation, price, convenience of use, service, and product performance. Medical devices for the eye also can be subject to rapid product obsolescence or regulatory changes.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

Abbott purchases, in the ordinary course of business, raw materials and supplies essential to Abbott's operations from numerous suppliers in the United States and abroad. There have been no recent significant availability problems or supply shortages.

Patents, Trademarks, and Licenses

Abbott is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for Abbott's products in the United States and all countries of major marketing interest to Abbott. Abbott owns and is licensed under a substantial number of patents and patent applications. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 5. These, and various patents which expire during the period 2011 to 2030, in the aggregate are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to adalimumab (which is sold under the trademark Humira®), are material in relation to Abbott's business as a whole. The United States composition of matter (that is, compound) patents covering adalimumab will expire in December 2016. In addition, the following patents, licenses, and trademarks are significant for Abbott's Pharmaceutical Products segment: those related to lopinavir/ritonavir (which is sold under the trademarks Kaletra® and Aluvia), those related to fenofibrate (which is sold under the trademarks TriCor® and Trilipix®), and those related to niacin (which is sold under the trademarks Niaspan® and Simcor®). The United States composition of matter patent covering lopinavir will expire in 2016. The United States non-composition of matter patent covering lopinavir/ritonavir will expire in 2016. The principal United States non-composition of matter patents covering the fenofibrate products will expire in 2011, 2018, 2020, 2023, and 2025. The principal United States non-composition of matter patents covering the niacin products will expire in 2013, 2017, and 2018. Litigation related to the products listed above is discussed in Legal Proceedings on pages 16 through 20. Agreements that may affect exclusivity are discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations" on pages 34 through 35.

Although the expiration of a composition of matter patent may lead to increased competition, in most cases Abbott owns or has a license to other patents that expire after the composition of matter patent related to particular formulations, uses, or processes for manufacturing the pharmaceutical. These non-composition of matter patents and Abbott's other intellectual property, along with such other factors as a competitor's need to obtain regulatory approvals prior to marketing a competitive product and the nature of the market, may allow Abbott to continue to have commercial advantages after the expiration of the composition of matter patent, including in some instances exclusivity.

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Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of the government.

Research and Development

Abbott spent $3,724,424,000 in 2010, $2,743,733,000 in 2009, and $2,688,811,000 in 2008, on research to discover and develop new products and processes and to improve existing products and processes. The majority of research and development expenditures is concentrated on pharmaceutical products.

Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. Abbott's capital and operating expenditures for pollution control in 2010 were approximately $9 million and $65 million, respectively. Capital and operating expenditures for pollution control in 2011 are estimated to be $15 million and $67 million, respectively.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency (EPA) or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation activities, Abbott believes that such costs, together with other expenditures to maintain compliance with applicable laws and regulations concerning environmental protection, should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Employees

Abbott employed approximately 90,000 persons as of December 31, 2010.

Regulation

The development, manufacture, sale, and distribution of Abbott's products are subject to comprehensive government regulation. Government regulation by various federal, state, and local agencies, both domestic and international, which includes detailed inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, marketing and promotion, sampling, distribution, record keeping, storage, and disposal practices, and achieving compliance with these regulations, substantially increases the time, difficulty, and costs incurred in obtaining and maintaining the approval to market newly developed and existing products. Government regulatory actions can result in delay in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions, including fines and penalties. Governmental administrative agencies also can invalidate intellectual property rights and control the entrance of multi-source drugs for small molecule and biologic generic medicines. In addition, governmental regulatory agencies require prescription drug, nutrition, and medical device manufacturers to pay fees, such as application, product, user, and establishment fees or taxes.

Abbott is a party to a consent decree entered in 1999 that requires Abbott to ensure its diagnostics manufacturing processes in Lake County, Illinois conform to the U.S. Food and Drug Administration's

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(FDA) Quality System Regulation and restricts the sale in the United States of certain products in the Diagnostic Products segment. In 2003, the FDA concluded that those operations were in substantial conformity with the Quality System Regulation.

International operations are also subject to a significant degree of government regulation and country-specific rules and regulations. Many countries, directly or indirectly, through reimbursement, payment, pricing, or coverage limitations, control the selling price of most health care products. Furthermore, many countries limit the importation of raw materials and finished products.

Continuing studies of the utilization, safety, efficacy, and outcomes of health care products and their components are being conducted by industry, government agencies, and others. Such studies, which employ increasingly sophisticated methods and techniques, can call into question the utilization, safety, and efficacy of previously marketed products and in some cases have resulted, and may in the future result, in the discontinuance of marketing of such products and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to and the cost of human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in the United States and other countries. In the United States, most states have generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's version of a pharmaceutical product for the one prescribed. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home, and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Medicare enters into contracts with private plans to negotiate prices for medicine delivered under Part D and beginning in 2011 companies must provide a discount of 50 percent for branded prescription drugs sold to patients who fall into the Medicare Part D coverage gap. Medicare is implementing a competitive bidding system for durable medical equipment, enteral nutrition products, and supplies. Under federal law, manufacturers must pay certain statutorily-prescribed rebates to state Medicaid programs on prescription drugs reimbursed under state Medicaid plans. In addition, a majority of states are seeking additional rebates. The Veterans Health Care Act of 1992 requires manufacturers to extend additional discounts on pharmaceutical products to various federal agencies, including the Department of Veterans Affairs, Department of Defense, Public Health Service entities and institutions, as well as certain other covered entities.

In the United States, governmental cost containment efforts have extended to the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). All states are mandated to have in place a cost containment program for infant formula. As a result, states obtain rebates from manufacturers of infant formula whose products are used in the program through competitive bidding.

Abbott expects debate to continue during 2011 at all government levels over marketing, availability, method of delivery, and payment for health care products and services. Abbott believes that legislation could change access to health care products and services, increase rebates, reduce prices or the rate of price increases for health care products and services, make changes to health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, and medical device industries, or require additional reporting and disclosure.

Efforts to reduce health care costs are also being made in the private sector. Health care providers have responded by instituting various cost reduction and containment measures.

It is not possible to predict the extent to which Abbott or the health care industry in general might be affected by the matters discussed above.

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INTERNATIONAL OPERATIONS

Abbott markets products worldwide through affiliates and distributors. Most of the products discussed in the preceding sections of this report are also sold outside the United States. In addition, certain products of a local nature and variations of product lines to meet local regulatory requirements and marketing preferences are manufactured and marketed to customers outside the United States. International operations are subject to certain additional risks inherent in conducting business outside the United States, including price and currency exchange controls, changes in currency exchange rates, limitations on foreign participation in local enterprises, expropriation, nationalization, and other governmental action.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website *(www.abbottinvestor.com)* as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website *(www.abbottinvestor.com)*.

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ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, technology licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating and result in increased borrowing costs and interest expense.

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other businesses, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's business will suffer. To the extent that countries do not enforce Abbott's intellectual property rights or to the extent that countries require compulsory licensing of its intellectual property, Abbott's future revenues and operating income will be reduced. Abbott's principal patents and trademarks are described in greater detail in the sections captioned, "Patents, Trademarks, and Licenses" and "Financial Review," and litigation regarding these patents is described in the section captioned "Legal Proceedings."

Abbott faces increasing competition from lower-cost generic products. The expiration or loss of patent protection for a product typically is followed promptly by generic substitutes that may significantly reduce Abbott's sales for that product in a short amount of time. If Abbott's competitive position is compromised because of generics or otherwise, it could have a material adverse effect on its revenues, margins, business, and results of operations.

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of

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affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

Abbott is subject to cost-containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost-containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to healthcare or other factors, Abbott's future revenues and operating income will be reduced.

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the U.S. Food and Drug Administration, and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and in substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once clearance or approval has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution. These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more of Abbott's facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market clearances or approvals; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is also subject to various federal, state, and international laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, the Medicaid Rebate Statute, the Veterans Health Care Act, and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in federal and state health care programs, including Medicare, Medicaid, and Veterans Administration health programs. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

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Changes in the health care regulatory environment may adversely affect Abbott's business.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law on March 23, 2010 and March 30, 2010, respectively. A number of the provisions of those laws require further rulemaking action by governmental agencies to implement. The laws change access to health care products and services and create new fees for the pharmaceutical and medical device industries. Future rulemaking could increase rebates, reduce prices or the rate of price increases for health care products and services, or require additional reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking.

Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A high rate of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new product candidates may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or new indications for existing products may cause Abbott's products to become obsolete, causing Abbott's revenues and operating results to suffer.

New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.

Abbott's products face intense competition from its competitors' products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a batch of product, that batch of product may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product

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is released to the market, recall and product liability costs may also be incurred. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

Significant safety issues could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

All health care products receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved indication, either of which could reduce the product's market acceptance. If serious safety issues with an Abbott product arise, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for or injury to patients. Product liability claims and lawsuits and safety alerts or product recalls, regardless of their ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are generally self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with doing business internationally. Sales outside of the United States make up approximately 55% of Abbott's net sales. The risks associated with Abbott's operations outside the United States include:

changes in foreign medical reimbursement policies and programs;

multiple foreign regulatory requirements that are subject to change and that could restrict Abbott's ability to manufacture, market, and sell its products;

differing local product preferences and product requirements;

trade protection measures and import or export licensing requirements;

difficulty in establishing, staffing, and managing foreign operations;

differing labor regulations;

potentially negative consequences from changes in or interpretations of tax laws;

political and economic instability;

price and currency exchange controls, limitations on foreign participation in local enterprises, expropriation, nationalization, and other governmental action;

inflation, recession and fluctuations in foreign currency exchange and interest rates; and

compulsory licensing or diminished protection of intellectual property.

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These risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

Differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, and goodwill; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount.

Changes in or interpretations of laws and regulations including changes in accounting standards, taxation requirements, product marketing application standards, and environmental laws in domestic or foreign jurisdictions.

Changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts.

Changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts.

Changes in business, economic, and political conditions, including: war, political instability, terrorist attacks in the U.S. and other parts of the world, the threat of future terrorist activity in the U.S. and other parts of the world and related military action; natural disasters; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups.

Changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future.

Changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners.

Difficulties related to Abbott's information technology systems, any of which could adversely affect business operations, including any significant breakdown, invasion, destruction, loss of data privacy, or interruption of these systems.

Changes in credit markets impacting Abbott's ability to obtain financing for its business operations.

Legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, adverse litigation decisions, and issues regarding compliance with any governmental consent decree.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under

"Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be

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achieved or will not be affected by the factors cited above or other future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Abbott's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-6400. The locations of Abbott's principal plants, as of December 31, 2010, are listed below.

Location	Segments of Products Produced
Abbott Park, Illinois	Pharmaceutical and Diagnostic Products
Alameda, California*	Non-Reportable
Alcobendas, Spain	Non-Reportable
Altavista, Virginia	Nutritional Products
Anasco, Puerto Rico	Non-Reportable
Barceloneta, Puerto Rico	Pharmaceutical, Diagnostic, and Vascular Products
Brockville, Canada	Nutritional Products
Buenos Aires, Argentina	Pharmaceutical Products
Campoverde di Aprilia, Italy	Pharmaceutical Products
Casa Grande, Arizona	Nutritional Products
Chatillon, France	Pharmaceutical Products
Clonmel, Ireland	Vascular Products
Columbus, Ohio	Nutritional Products
Cootehill, Ireland	Nutritional Products
Dartford, England*	Diagnostic Products
Des Plaines, Illinois	Diagnostic Products
Fairfield, California*	Nutritional Products
Granada, Spain	Nutritional Products
Irving, Texas	Diagnostic Products
Jayuya, Puerto Rico	Pharmaceutical Products
Kanata, Ontario, Canada	Diagnostic Products
Karachi, Pakistan	Pharmaceutical Products
Katsuyama, Japan	Pharmaceutical Products
Longford, Ireland	Diagnostic Products
Ludwigshafen, Germany	Pharmaceutical Products
Milpitas, California*	Non-Reportable
Murrieta, California	Vascular Products
Neustadt, Germany	Pharmaceutical Products
North Chicago, Illinois	Pharmaceutical Products
Olst, Netherlands	Pharmaceutical Products
Ottawa, Ontario, Canada*	Diagnostic Products
Redwood City, California*	Vascular Products
Rio de Janeiro, Brazil	Pharmaceutical Products
Santa Clara, California	Diagnostic Products
Singapore	Nutritional Products
Sligo, Ireland	Nutritional and Diagnostic Products
Sturgis, Michigan	Nutritional Products
Temecula, California	Vascular Products
Tlalpan, Mexico	Pharmaceutical Products
Uppsala, Sweden	Non-Reportable
Weesp, Netherlands	Pharmaceutical Products
Wiesbaden, Delkenheim, Germany	Diagnostic Products
Witney, Oxon, England	Non-Reportable
Worcester, Massachusetts	Pharmaceutical Products
Zwolle, the Netherlands	Nutritional Products

* Leased property

In addition to the above, Abbott has manufacturing facilities in seven other locations in the United States, including Puerto Rico, and in five other countries outside the United States. Abbott's facilities are deemed suitable and provide adequate productive capacity.

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In the United States, including Puerto Rico, Abbott owns nine distribution centers. Outside the United States, Abbott owns ten distribution centers. Abbott also has twenty-two United States research and development facilities located at: Abbott Park, Illinois; Alameda, California; Albuquerque, New Mexico; Carlsbad, California; Columbus, Ohio (two locations); Des Plaines, Illinois; Fairfield, California; Irving, Texas; Long Grove, Illinois; Menlo Park, California; Milpitas, California; Mountain View, California; North Chicago, Illinois; Princeton, New Jersey; Redwood City, California (two locations); Santa Ana, California; Santa Clara, California; South Irvine, California; Temecula, California; and Worcester, Massachusetts. Outside the United States, Abbott has research and development facilities in Canada, China, France, Germany, Ireland, Israel, Japan, the Netherlands, Singapore, South Africa, Spain, Sweden, Switzerland, and the United Kingdom.

Except as noted, the corporate offices, and those principal plants in the United States listed above, are owned by Abbott or subsidiaries of Abbott. The remaining manufacturing plants and all other facilities are owned or leased by Abbott or subsidiaries of Abbott. There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations, including (as of January 31, 2011, except where noted below) those described below. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations, except where noted below.

A case is pending against Abbott in which New York University (NYU) and Centocor, Inc. assert that adalimumab (a drug Abbott sells under the trademark Humira®) infringes a patent co-owned by NYU and Centocor and exclusively licensed to Centocor. In June 2009, a jury found that Abbott had willfully infringed the patent and awarded NYU and Centocor approximately $1.67 billion in past compensatory damages. In October 2009, the United States District Court for the Eastern District of Texas overturned the jury's finding that Abbott's infringement was willful, but denied Abbott's request to overturn the jury's verdict on validity, infringement, and damages. In December 2009, the district court issued a final judgment and awarded the plaintiffs an additional $175 million in prejudgment interest. In December 2009, NYU and Centocor filed a separate action seeking enhanced damages and interest for the continuing sale of Humira® after the jury verdict through July 11, 2011 when their patent expires. In December 2009, Abbott filed a notice of appeal with the United States Court of Appeals for the Federal Circuit and oral argument in Abbott's appeal took place in November 2010. Abbott is confident in the merits of its case and believes that it will prevail on appeal. While it is not feasible to predict with certainty the outcome of this litigation, its ultimate resolution could be material to cash flows or results of operations.

In response to a patent infringement action filed in December 2008 by Bayer HealthCare LLC (Bayer) in the United States District Court for the Eastern District of Texas, in January 2009 Abbott filed an action against Bayer in the United States District Court for the District of Massachusetts seeking a declaration that Bayer's patent is invalid, unenforceable, and not infringed by Humira®. The Massachusetts court consolidated the Texas case with the Massachusetts proceeding. Bayer seeks damages, including treble damages, but does not seek injunctive relief. In January 2011, a Stipulation for Entry of Final Judgment was filed under which Bayer stipulated that Humira® does not infringe its patent in view of the District Court's modified claims construction order, which was issued in December 2010. In February 2011, Bayer filed an appeal with the United States Court of Appeals for the Federal Circuit challenging the claims construction order. Separately, in November 2009, Bayer filed infringement actions in the District Court of The Hague, The Netherlands and in the Regional Court in Dusseldorf, Germany, asserting that Humira® infringes Bayer's European patent. In both European cases, Bayer seeks damages, but not injunctions. In March 2010, Abbott filed an action in the German Federal Patent Court asking that Bayer's patent be revoked. In October 2010, the District Court of The Hague issued a decision invalidating Bayer's

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European patent in the Netherlands. In November 2010, Bayer appealed that decision to the Court of Appeal in The Hague.

Several cases, brought as purported class actions or representative actions on behalf of individuals or entities, are pending against Abbott that allege generally that Abbott and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicare and Medicaid and by private payors. These cases, brought by private plaintiffs, state Attorneys General, and other state government entities, generally seek monetary damages and/or injunctive relief and attorneys' fees. The federal court cases have been consolidated for pre-trial purposes in the United States District Court for the District of Massachusetts under the Multi District Litigation Rules as *In re: Pharmaceutical Industry Average Wholesale Price Litigation, MDL 1456*. MDL 1456 includes: (a) two state Attorneys General suits, filed in August 2006 (*State of South Carolina)* and July 2009 (*State of Mississippi* on behalf of its state health plan); and (b) a purported class action case in which the plaintiffs seek to certify nationwide classes of Medicare Part B consumers and third party payors and other consumers, filed in June 2003. Eighteen named defendants, including Abbott, collectively settled this case, subject to final approval of the district court. In addition, several cases are pending against Abbott in state courts: *Commonwealth of Kentucky*, filed in September 2003 in the Circuit Court of Franklin County, Kentucky; *State of Wisconsin*, filed in June 2004 in the Circuit Court of Dane County, Wisconsin; *State of Illinois*, filed in February 2005 in the Circuit Court of Cook County, Illinois; *State of South Carolina* (on behalf of its state health plan), filed in August 2006 in the Court of Common Pleas, Fifth Judicial Circuit of Richland County, South Carolina; *State of Alaska*, filed in October 2006 in the Superior Court for the Third Judicial District in Anchorage, Alaska; *State of Idaho*, filed in January 2007 in the District Court of the Fourth Judicial District in Ada County, Idaho; *State of Utah*, filed in November 2007 in the Third Judicial District in Salt Lake County, Utah; *State of Louisiana*, filed in October 2010 in the Nineteenth Judicial District, Parish of Baton Rouge, Louisiana and *State of Oklahoma*, filed in September 2010 in the District Court of Pottawatomie County, Oklahoma. In 2010, Abbott settled the civil whistle-blower suit brought by the United States Department of Justice, filed in May 2006 in the United States District Court for the Southern District of Florida; the civil whistle-blower suit brought by Ven-A-Care of the Florida Keys, Inc., unsealed against Abbott in August 2007 and in which the United States declined to intervene; *County of Erie*, filed in March 2005 in the Supreme Court of Erie County, New York; *State of Mississippi*, filed in October 2005 in the Circuit Court of Rankin County, Mississippi; *State of Hawaii*, filed in April 2006 in the First Circuit Court of Hawaii; *County of Oswego*, filed in August 2006 in the Supreme Court of Oswego County, New York; *County of Schenectady*, filed in August 2006 in the Supreme Court of Schenectady County, New York; and *State of Kansas*, filed in October 2008 in the District Court of Wyandotte County, Kansas.

Several lawsuits filed against Unimed Pharmaceuticals, Inc., Solvay Pharmaceuticals, Inc. (a company Abbott acquired in February 2010) et al. have been consolidated for pre-trial purposes in the United States District Court for the Northern District of Georgia under the Multi District Litigation Rules as *In re AndroGel Antitrust Litigation*, MDL No. 2084. These cases, brought by private plaintiffs and the Federal Trade Commission ("FTC"), generally allege Solvay's 2006 patent litigation involving AndroGel was sham litigation and the patent litigation settlement agreement and related agreements with three generic companies violate federal and state antitrust laws and state consumer protection and unjust enrichment laws. Plaintiffs generally seek monetary damages and/or injunctive relief and attorneys' fees. MDL 2084 includes: (a) 3 individual plaintiff lawsuits: *Supervalu, Inc. v. Unimed Pharmaceuticals, Inc. et al.*, was filed in April 2010 in the Northern District of Georgia; and *Rite Aid Corp. et al. v. Unimed Pharmaceuticals, Inc. et al.* and *Walgreen Co. et al. v. Unimed Pharmaceuticals, Inc. et al.,* both of which were filed in February 2009 in the United States District Court for the Middle District of Pennsylvania; (b) 7 purported class actions: *Meijer, Inc. et al. v. Unimed Pharmaceuticals, Inc. et al., Rochester Drug Co-Operative, Inc. et al. v. Unimed Pharmaceuticals, Inc. et al.,* and *Louisiana Wholesale Drug Co., Inc. et al. v. Unimed Pharmaceuticals, Inc. et al.,* all of which were filed in May 2009 in the United States District Court for the Northern District of Georgia; *Stephen L. LaFrance Pharmacy, Inc. et al. v. Unimed Pharmaceuticals, Inc.*

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et al., filed in March 2009 in the United States District Court for the District of New Jersey; *Fraternal Order of Police v. Unimed Pharmaceuticals, Inc. et al.,* filed in September 2009 in the United States District Court for the Northern District of Georgia; *Jabo's Pharmacy, Inc. v. Solvay Pharmaceuticals, Inc. et al.,* filed in October 2009 in the United States District Court for the Eastern District of Tennessee; and *LeGrand v. Unimed Pharmaceuticals, Inc. et al.,* filed in September 2010 in the United States District Court for the Northern District of Georgia; and (c) a lawsuit brought by the FTC, *Federal Trade Commission v. Watson Pharmaceuticals, Inc. et al.*, filed in May 2009 in the United States District Court for the Northern District of Georgia. In February 2010, Solvay's motion to dismiss the cases was partially granted and all of the FTC's claims and all of the plaintiffs' claims except those alleging sham litigation were dismissed. In June 2010, the FTC appealed the decision to the United States Court of Appeals for the Eleventh Circuit, and this appeal is pending. In February 2010, two cases, *Scurto et al. v. Unimed Pharmaceuticals, Inc. et al.,* filed in March 2009 in the United States District Court for the District of New Jersey, and *United Food & Com. Workers Unions & Employ. Midwest Health Benefits Fund et al. v. Unimed Pharmaceuticals, Inc. et al.,* filed in May 2009 in the United States District Court for the District of Minnesota, were dismissed.

Four cases are pending against Abbott in the United States District Court for the Northern District of California that allege antitrust violations in connection with the 2003 Norvir re-pricing: (a) a consolidated class action filed on behalf of all direct purchasers by three individual plaintiffs, *Meijer, Inc.,* filed in November 2007, *Louisiana Wholesale Drug Company, Inc.*, filed in December 2007, and *Rochester Drug Co-Operative, Inc.*, filed in November 2007; (b) two cases filed on behalf of director purchaser class opt-outs, *Rite Aid, Inc.*, filed in December 2007 and *Safeway, Inc.*, filed in October 2007; and (c) one case filed by a competitor, *GlaxoSmithKline*, filed in November 2007. All of the cases have been consolidated for discovery and trial. The plaintiffs seek damages, injunctive relief, and costs.

A case is pending against Abbott under the name *Myla Nauman, Jane Roller and Michael Loughery v. Abbott Laboratories and Hospira, Inc.* in which former Abbott employees alleged that (i) their transfer to Hospira, Inc., as part of Abbott's spin-off of Hospira, adversely affected their employee benefits in violation of the Employee Retirement Income Security Act and (ii) Abbott's conduct in connection with their transfer breached a fiduciary duty to plaintiffs involving employee benefits. The plaintiffs generally sought reinstatement as Abbott employees, or reinstatement as participants in Abbott's employee benefit plans, and an award of the employee benefits they have allegedly lost. In April 2010, the United States District Court for the Northern District of Illinois entered judgment in favor of Abbott on all counts. The plaintiffs have appealed to the United States Court of Appeals for the Seventh Circuit.

In December 2010, Kos Pharmaceuticals Inc. settled an investigation of its sales and marketing practices initiated by the Office of the Inspector General of the United States Department of Health and Human Services in conjunction with the United States Department of Justice, and the United States Attorneys for the Eastern District of Wisconsin, the Western District of Louisiana, and the Middle District of Louisiana. The settlement related to conduct that occurred prior to Abbott's December 2006 acquisition of Kos.

The United States Department of Justice, through the United States Attorney for Maryland, is investigating the sales and marketing practices of Abbott for Micardis®, a drug co-promoted for (until March 31, 2006) and manufactured by Boehringer Ingelheim. The government is seeking to determine whether any of these practices resulted in any violations of civil and/or criminal laws, including the Federal False Claims Act and the Anti-Kickback Statute, in connection with the Medicare and/or Medicaid reimbursement paid to third parties.

The United States Department of Justice, through the Unites States Attorney for the Western District of Virginia, is investigating Abbott's sales and marketing activities for Depakote. The government is seeking to determine whether any of these activities violated civil and/or criminal laws, including the Federal False Claims Act, the Food and Drug Cosmetic Act, and the Anti-Kickback Statute in connection with Medicare and/or Medicaid reimbursement to third parties.

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The United States Department of Justice, through the United States Attorney for the District of Massachusetts, is investigating the sales and marketing activities of Abbott's and other companies' biliary stent products. The government is seeking to determine whether any of these activities violated civil and/or criminal laws, including the Federal False Claims Act, the Food and Drug Cosmetic Act, and the Anti-Kickback Statute in connection with Medicare and/or Medicaid reimbursement paid to third parties.

In 2007, Johnson & Johnson, Inc. and Cordis Corporation, a wholly-owned subsidiary of Johnson & Johnson (collectively Johnson & Johnson), filed suits against Abbott in the United States District Court for the District of New Jersey asserting infringement of four Johnson & Johnson patents by Abbott's Xience V stent and seeking an injunction, damages, and a determination of willful infringement. In January 2010, the New Jersey court issued an Order of Judgment finding the four patents invalid and dismissing the suits against Abbott. In January 2008, Cordis Corporation and Wyeth filed suit against Abbott in the United States District Court for the District of New Jersey alleging the Xience V stent infringes three additional patents and seeking an injunction, damages, and a determination of willful infringement. In September 2009, Wyeth, Cordis Corporation, and Cordis LLC filed suit against Abbott in the United States District Court for the District of New Jersey alleging the Xience V stent infringes an additional patent, and in August 2010 the plaintiffs amended their lawsuit to add a second related patent to this case. The plaintiffs in this case also seek an injunction and damages. Abbott denies all substantive allegations in each case.

A case brought by Wall Cardiovascular Technologies, LLC (Wall) in July 2008 was pending against Abbott in the United States District Court for the Eastern District of Texas in which Wall asserted that Abbott's Xience V stent infringes a patent. In December 2010, the parties settled the case and it was dismissed with prejudice.

In December 2008, Medinol Limited (Medinol) sued Abbott in the High Court of Ireland, the District Court of The Hague, The Netherlands, and the Regional Court in Dusseldorf, Germany asserting that Abbott's Vision and Xience V stents infringe one of Medinol's European stent design patents. Medinol has since accused Abbott's Multi-Link 8 and Xience Prime stents of infringement. In Germany, Medinol further asserts that Abbott's Vision, Xience V, Penta, Xience Prime, Multi-Link 8, and Zeta stents infringe two Medinol German stent design patents and one Medinol German stent design utility model. Medinol seeks damages and injunctions in Ireland and The Netherlands and seeks damages in Germany. Abbott initiated an action in the German Federal Patent Court seeking a declaration that Medinol's patents are invalid. Abbott also initiated an action in the High Court of Justice in the United Kingdom asserting that Abbott's stents do not infringe Medinol's European patent and two other Medinol patents which were previously revoked at the European Patent Office and seeking a declaration that all three Medinol patents are invalid. In Ireland, Abbott asserts that Medinol's European patent is invalid and not infringed. In December 2009, the Dutch court found that Abbott's stents do not infringe Medinol's European patent but did not rule on the patent's validity. Medinol has filed a notice of appeal of the Dutch court's finding that Abbott's stents do not infringe Medinol's patent. In March 2010, the Dusseldorf court, which does not assess the validity of patents, found that Abbott's stents do not infringe Medinol's European patent, but that they do infringe two of Medinol's German stent design patents. Medinol has appealed the non-infringement decision and Abbott has appealed the infringement decisions. In November and December 2010, the German Federal Patent Court held two invalidity hearings on the three patents being asserted by Medinol in Germany. In January 2011, the German Federal Patent Court found all three Medinol patents invalid. However, after allowing Medinol to modify the claims for one of its German patents, the court concluded that the modified claims of that patent were valid. In October 2010, the United Kingdom court found that Abbott's products do not infringe any of the three Medinol patents and that one of the two previously revoked patents is invalid. Abbott denies all substantive allegations in each remaining case.

Abbott is seeking to enforce its patent rights relating to fenofibrate tablets (a drug Abbott sells under the trademark Tricor®). In a case filed in the United States District Court for the Northern District of Illinois in February 2008, Abbott and the patent owner, Laboratories Fournier, S.A. (Fournier), allege

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infringement of three patents and seek injunctive relief against Teva Pharmaceuticals USA Inc. In November 2009, the parties reached a settlement and this case was dismissed. In a second case filed in the Northern District of Illinois in November 2008, Abbott and Fournier allege infringement of the three patents and seek injunctive relief against Biovail Laboratories International SRL. This case has been transferred to the United States District Court for the District of New Jersey. In a third case filed in the United States District Court for the District of New Jersey in March 2009, Abbott and Fournier allege infringement of the three patents and seek injunctive relief against Lupin Pharmaceuticals and Lupin Limited. In a fourth case filed in the United States District Court for the District of New Jersey in October 2009, Abbott and Fournier allege infringement of the three patents and seek injunctive relief against Impax Laboratories. In a case filed in June 2010 in the United States District Court for the District of New Jersey, Abbott and Fournier allege infringement of three patents and seek injunctive relief against Ranbaxy Laboratories Ltd., Ranbaxy Pharmaceuticals Inc. and Ranbaxy Inc. In a case filed in the United States District Court for the District of New Jersey in July 2010, Abbott and Fournier allege infringement of three patents and seek injunctive relief against Teva Pharmaceuticals USA Inc. (Teva). In related cases where Abbott became involved through its acquisition of Fournier Laboratoires Ireland Ltd. (Fournier Ireland), Abbott is seeking to enforce additional rights relating to fenofibrate tablets. These cases were filed in the United States District Court for the District of New Jersey by joint patent owners Elan Pharma International Ltd. (Elan) and Fournier Ireland against Biovail Laboratories International SRL and Biovail Corporation in November 2008, Lupin Pharmaceuticals, Inc. and Lupin Limited in March 2009, Impax Laboratories, Inc. in October 2009, Ranbaxy Laboratories Ltd., Ranbaxy Pharmaceuticals Inc. and Ranbaxy Inc. in June 2010, and Teva Pharmaceuticals USA Inc. in July 2010. Elan and Fournier Ireland allege infringement of two jointly-owned patents and one Elan patent and seek injunctive relief.

Abbott is seeking to enforce its patent rights relating to ritonavir/lopinavir tablets (a drug Abbott sells under the trademark Kaletra®). In cases filed in the United States District Courts for the Northern District of Illinois and for the District of Delaware in March 2009, Abbott alleges that Matrix Laboratories, Inc., Matrix Laboratories, Ltd., and Mylan, Inc.'s proposed generic products infringe Abbott's patents and seeks declaratory and injunctive relief. The case in Delaware was dismissed in April 2009. Upon Matrix's motion in November 2009, the United States District Court for the Northern District of Illinois granted a five-year stay of the litigation unless good cause to lift the stay is shown.

Abbott is seeking to enforce its patent rights relating to niacin extended release tablets (a drug Abbott sells under the trademark Niaspan®). In a case filed in the United States District Court for the District of Delaware in March 2009, Abbott alleges that Lupin Pharmaceuticals and Lupin Limited's proposed generic products infringe Abbott's patents and seeks declaratory and injunctive relief. In February 2010, Abbott filed a case in the United States District Court for the District of Delaware alleging that Sun Pharmaceutical Industries Limited's and Sun Pharma Global FZE's generic product infringes Abbott's patents and seeks declaratory and injunctive relief. In a case filed in June 2010 in the United States District Court for the District of Delaware, Abbott alleges Sandoz, Inc.'s proposed generic product infringes Abbott's patents and seeks declaratory and injunctive relief.

Abbott is seeking to enforce certain patent rights that cover the use of fully human anti-TNF alpha antibodies with methotrexate to treat rheumatoid arthritis. In a case filed in the United States District Court for the District of Massachusetts in May 2009, Abbott alleges Centocor Inc.'s product Simponi® infringes Abbott's patents and seeks damages and injunctive relief. The case was stayed at Centocor's request while the parties arbitrated issues related to Centocor's license defenses. In June 2010 the arbitrator ruled, the Court lifted the stay, and the patent infringement case is proceeding.

ITEM 4. (REMOVED AND RESERVED)

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EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of Abbott are elected annually by the board of directors. All other officers are elected by the board or appointed by the chairman of the board. All officers are either elected at the first meeting of the board of directors held after the annual shareholder meeting or appointed by the chairman after that board meeting. Each officer holds office until a successor has been duly elected or appointed and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any time by the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott. Any officer appointed by the chairman of the board may be removed by the chairman whenever, in the chairman's judgment, removal would serve the best interests of Abbott. A vacancy in any office appointed by the chairman of the board may be filled by the chairman.

Abbott's executive officers, their ages as of February 18, 2011, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any corporate officers or directors.

Miles D. White, 55

1999 to present Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer 1993.

Richard W. Ashley, 67

2004 to present Executive Vice President, Corporate Development.

Elected Corporate Officer 2004.

John M. Capek, 49

2007 to present Executive Vice President, Medical Devices.

2006 to 2007 Senior Vice President, Abbott Vascular.

2006 Vice President and President, Cardiac Therapies.

2005 to 2006 President, Guidant Vascular Intervention.

Elected Corporate Officer 2006.

Thomas C. Freyman, 56

2004 to present Executive Vice President, Finance and Chief Financial Officer.

Elected Corporate Officer 1991.

Richard A. Gonzalez, 57

2010 to present Executive Vice President, Pharmaceutical Products Group.

2009 to present President, Abbott Ventures Inc.

2007 to 2009 Retired.

2006 to 2007 President and Chief Operating Officer, and Director.

2002 to 2006 President and Chief Operating Officer, Medical Products Group, and Director.

Elected Corporate Officer 2010.

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John C. Landgraf, 58

2011 to present Executive Vice President, Nutritional Products.

2008 to 2010 Senior Vice President, Pharmaceuticals, Manufacturing and Supply.

2004 to 2008 Senior Vice President, Global Pharmaceutical Manufacturing and Supply.

Elected Corporate Officer 2000.

Edward L. Michael, 54

2008 to present Executive Vice President, Diagnostic Products.

2007 to 2008 Executive Vice President, Diagnostics.

2007 Senior Vice President, Medical Products.

2003 to 2007 Vice President and President, Molecular Diagnostics.

Elected Corporate Officer 1997.

Laura J. Schumacher, 47

2007 to present Executive Vice President, General Counsel and Secretary.

2005 to 2007 Senior Vice President, Secretary and General Counsel.

Elected Corporate Officer 2003.

Carlos Alban, 48

2009 to present Senior Vice President, International Pharmaceuticals.

2008 to 2009 Vice President, Pharmaceuticals, Western Europe and Canada.

2007 to 2008 Vice President, Western Europe and Canada.

2006 to 2007 Vice President, Pharmaceutical European Operations.

2004 to 2006 Regional Director, North Europe.

Elected Corporate Officer 2006.

Brian J. Blaser, 46

2010 to present Senior Vice President, Diagnostics.

2008 to 2010 Vice President, Diagnostics, Operations.

2008 Divisional Vice President, Global Operations.

2007 to 2008 Divisional Vice President, Manufacturing.

2004 to 2007 Divisional Vice President, Strategic Operations Improvement.

Elected Corporate Officer 2008.

A. David Forrest, 49

2010 to present Senior Vice President, International Nutrition.

2007 to 2010 Divisional Vice President, Europe & Canada.

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2004 to 2007 General Manager, United Kingdom.

Elected Corporate Officer 2010.

Stephen R. Fussell, 53

2005 to present Senior Vice President, Human Resources.

Elected Corporate Officer 1999.

Robert B. Hance, 51

2008 to present Senior Vice President, Vascular.

2006 to 2008 Senior Vice President, Diabetes Care Operations.

2006 Vice President and President, Vascular Solutions.

2003 to 2006 Vice President and President, Abbott Vascular Devices.

Elected Corporate Officer 1999.

Heather L. Mason, 50

2008 to present Senior Vice President, Diabetes Care.

2007 to 2008 Vice President, Latin America Pharmaceuticals.

2005 to 2007 Vice President, International Marketing.

Elected Corporate Officer 2001.

James V. Mazzo, 53

2009 to present Senior Vice President, Abbott Medical Optics.

2006 to 2009 Chairman of the Board of Directors, Advanced Medical Optics, Inc. (a global leader in the development, manufacture, and marketing of medical devices for the eye).

2004 to 2009 Chief Executive Officer, Advanced Medical Optics, Inc.

2004 to 2007 President, Advanced Medical Optics, Inc.

Elected Corporate Officer 2009.

Donald V. Patton Jr., 58

2010 to present Senior Vice President, U.S. Pharmaceuticals.

2007 to 2009 Senior Vice President, U.S. Nutrition.

2007 Senior Vice President, Abbott Nutrition Products Division.

2006 to 2007 Vice President, Diagnostic Global Commercial Operations.

2005 to 2006 Vice President, International Marketing.

Elected Corporate Officer 2004.

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Mary T. Szela, 47

2010 to present Senior Vice President, Global Strategic Marketing and Services, Pharmaceutical Products Group.

2008 to 2009 Senior Vice President, U.S. Pharmaceuticals.

2007 to 2008 Senior Vice President, Pharmaceutical Operations.

2006 Vice President, Commercial Pharmaceutical Operations.

2001 to 2006 Vice President, Pharmaceutical Products, Primary Care Operations.

Elected Corporate Officer 2001.

Michael J. Warmuth, 48

2010 to present Senior Vice President, Established Products, Pharmaceutical Products Group.

2008 to 2010 Senior Vice President, Diagnostics.

2008 Vice President, Hematology Diagnostics.

2007 to 2008 Vice President, Global Engineering Services.

2006 to 2007 Divisional Vice President, Global Engineering Services.

2004 to 2006 Divisional Vice President of Quality, Global Pharmaceutical Operations.

Elected Corporate Officer 2007.

J. Scott White, 42

2010 to present Senior Vice President, U.S. Nutrition.

2007 to 2009 Division Vice President and Regional Director for Latin America, Abbott Nutrition International.

2005 to 2007 Division Vice President and General Manager for Pediatric Nutrition, U.S. Nutrition.

Elected Corporate Officer 2009.

Greg W. Linder, 54

2001 to present Vice President and Controller.

Elected Corporate Officer 1999.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

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

Market Price Per Share

	2010		2009	
	high	low	high	low
First Quarter	$ 56.79	$ 52.21	$ 57.39	$ 44.10
Second Quarter	53.25	45.26	48.37	41.27
Third Quarter	52.86	44.59	49.69	43.45
Fourth Quarter	53.75	46.03	54.97	48.41

Shareholders

There were 64,413 shareholders of record of Abbott common shares as of December 31, 2010.

Dividends

Quarterly dividends of $.44 and $.40 per share were declared on common shares in 2010 and 2009, respectively.

Abbott Laboratories is an Illinois High Impact Business (HIB) and is located in a 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 questions, please contact your tax advisor.

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Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2010 October 31, 2010	88,848[1]	$ 52.650	0	$ 3,392,180,505[2]
November 1, 2010 November 30, 2010	79,068[1]	$ 49.915	0	$ 3,392,180,505[2]
December 1, 2010 December 31, 2010	61,850[1]	$ 47.909	0	$ 3,392,180,505[2]
Total	229,766[1]	$ 50.433	0	$ 3,392,180,505[2]

1.

These shares represent:

(i)

the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options 88,848 in October; 56,568 in November; and 31,850 in December; and

(ii)

the shares purchased on the open market for the benefit of participants in the Abbott Laboratories, Limited Employee Stock Purchase Plan 0 in October; 22,500 in November; and 30,000 in December.

These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

2.

On October 13, 2008, Abbott announced that its board of directors approved the purchase of up to $5 billion of its common shares, from time to time.

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ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31				
	2010	**2009**	**2008**	**2007**	**2006**
	(dollars in millions, except per share data)				
Net sales	$ 35,166.7	$ 30,764.7	$ 29,527.6	$ 25,914.2	$ 22,476.3
Earnings from continuing operations	4,626.2	5,745.8	4,734.2	3,606.3	1,716.8[1]
Net earnings	4,626.2	5,745.8	4,880.7	3,606.3	1,716.8[1]
Basic earnings per common share from continuing operations	2.98	3.71	3.06	2.34	1.12[1]
Basic earnings per common share	2.98	3.71	3.16	2.34	1.12[1]
Diluted earnings per common share from continuing operations	2.96	3.69	3.03	2.31	1.12[1]
Diluted earnings per common share	2.96	3.69	3.12	2.31	1.12[1]
Total assets	59,462.3	52,416.6	42,419.2	39,713.9	36,178.2
Long-term debt	12,523.5	11,266.3	8,713.3	9,487.8	7,009.7
Cash dividends declared per common share	1.76	1.60	1.44	1.30	1.18

1. In 2006, Abbott recorded pre-tax charges of $2,014 for acquired in-process and collaborations research and development primarily related to the acquisition of Guidant's vascular intervention and endovascular solutions businesses and Kos Pharmaceuticals Inc.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract or by a pharmacy benefit manager most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are prescription pharmaceuticals, nutritional products, diagnostic testing products and vascular products. Sales in international markets are approximately 55 percent of consolidated net sales.

Continued robust growth of *HUMIRA* after the worldwide launch of additional indications, the acquisitions of Solvay's pharmaceuticals business (Solvay Pharmaceuticals), Piramal Healthcare Limited's Healthcare Solutions business, and Advanced Medical Optics, Inc., the launch of the *Xience V* drug eluting stent, the conclusion of the TAP Pharmaceutical Products Inc. joint venture, the loss of patent protection for some pharmaceutical products, and the challenging economic environment in many countries around the world have impacted Abbott's sales, costs and financial position over the last three years.

Pharmaceutical research and development is focused on therapeutic areas that include immunology, oncology, neuroscience, pain management, hepatitis C (HCV), chronic kidney disease and women's health. In 2003, Abbott began the worldwide launch of *HUMIRA* for rheumatoid arthritis, followed by launches for five additional indications, which increased *HUMIRA's* worldwide sales to $6.5 billion in 2010 compared to $5.5 billion in 2009, and $4.5 billion in 2008. Abbott forecasts growth in the low teens for worldwide *HUMIRA* sales in 2011. Abbott is studying additional indications for *HUMIRA*. Substantial research and development and selling support has been and continues to be dedicated to maximizing the worldwide potential of *HUMIRA*. Increased generic competition has resulted in U.S. *Depakote* sales declining from $1.3 billion in 2008 to $161 million in 2010. Austerity measures implemented by several European countries reduced healthcare spending and affected pharmaceutical pricing in the second half of 2010 and that impact is expected to continue for all of 2011.

In February 2010, Abbott acquired Solvay Pharmaceuticals which provided Abbott with a large and complementary portfolio of pharmaceutical products and expanded Abbott's presence in key global emerging markets. The acquisition added approximately $3.1 billion to Abbott's 2010 total sales, primarily outside the U.S. In 2010, Abbott recorded approximately $710 million of expense related to the integration of the Solvay business and a restructuring plan announced in September to streamline operations, improve efficiencies and reduce costs primarily in certain Solvay sites and functions. The restructuring plan is further described below. In September 2010 Abbott completed the acquisition of Piramal's Healthcare Solutions business, propelling Abbott to market leadership in the Indian pharmaceutical market and further accelerating the company's growth in emerging markets.

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

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

In 2010, the U.S. government passed health care reform legislation which included an increase in Medicaid rebate rates and the extension of the rebate to drugs provided through Medicaid managed care

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organizations beginning in 2010. The legislation also imposes annual fees to be paid by pharmaceutical manufacturers and medical device companies beginning in 2011 and 2013, respectively, as well as additional rebates related to the Medicare Part D "donut hole" beginning in 2011. In addition to a one-time charge of approximately $60 million to reduce deferred tax assets associated with retiree health care liabilities related to the Medicare Part D retiree drug subsidy, the legislation negatively impacted Abbott's performance by more than $200 million in 2010 and that is expected to increase to more than $400 million in 2011.

Abbott's short- and long-term debt totaled $18.9 billion at December 31, 2010, largely incurred to finance acquisitions. Operating cash flows in excess of capital expenditures and cash dividends have partially funded acquisitions over the last three years. At December 31, 2010, Abbott's long-term debt rating was AA by Standard and Poor's Corporation and A1 by Moody's Investors Service.

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

In 2011, Abbott will focus on several key initiatives. In the pharmaceutical business, Abbott will continue to build its global presence, expand its presence in emerging markets and diversify its sources of growth with the Solvay Pharmaceuticals and Piramal Healthcare Solutions acquisitions. Abbott will also continue maximizing the market potential for *HUMIRA*. Pharmaceutical research and development efforts will continue to focus a significant portion of expenditures on compounds for immunology, oncology, neuroscience, pain management, HCV, chronic kidney disease and women's health. Such compounds include one Phase III compound for multiple sclerosis, one Phase III compound and three Phase II compounds in oncology, three Phase II compounds targeting HCV, three Phase II compounds targeting Alzheimer's disease or cognitive disorders of schizophrenia, two Phase II compounds targeting chronic kidney disease, and one Phase II compound each in women's health and pain management. In the vascular business, Abbott will continue to focus on marketing *Xience PRIME* in Europe and other markets, obtaining regulatory review of *Xience Nano*, *Xience PRIME*, and the *MitraClip* device in the U.S. and a limited European roll-out as well as further clinical development of *ABSORB*, its bioresorbable vascular scaffold (BVS) device. In the other business segments, Abbott will focus on developing or acquiring differentiated technologies in higher growth segments of those markets.

Critical Accounting Policies

Sales Rebates Approximately 50 percent of Abbott's consolidated gross revenues are subject to various forms of rebates and allowances that Abbott records as reductions of revenues at the time of sale. Most of these rebates and allowances are in the Pharmaceutical Products segment and the Nutritional Products segment. Abbott provides rebates to pharmacy benefit management companies, state agencies that administer the federal Medicaid program, insurance companies that administer Medicare drug plans, state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from two to 24 months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks

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charged against gross sales in 2010, 2009 and 2008 amounted to approximately $4.9 billion, $4.4 billion and $3.8 billion, respectively, or 23.1 percent, 23.8 percent and 22.8 percent, respectively, based on gross sales of approximately $21.1 billion, $18.4 billion and $16.8 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $211 million in 2010. 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 $415 million, $414 million and $362 million for cash discounts in 2010, 2009 and 2008, respectively, and $537 million, $456 million and $439 million for returns in 2010, 2009 and 2008, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management has access to several large customers' inventory management data, and for other customers, utilizes data from a third party that measures time on the retail shelf. These sources allow management to make reliable estimates of inventory in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In addition, internal processing time is a factor in estimating the accrual. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably determinable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market research. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2010, Abbott had the exclusive WIC business in 23 states.

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

The following table is an analysis of the four largest rebate accruals, which comprise approximately 69 percent of the consolidated rebate provisions charged against revenues in 2010. Remaining rebate

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provisions charged against gross sales are not significant in the determination of operating earnings. (*dollars in millions*)

		Domestic Pharmaceutical Products		
	Domestic Nutritionals WIC Rebates	Medicaid and Medicare Rebates	Pharmacy Benefit Manager Rebates	Wholesaler Chargebacks
Balance at January 1, 2008	$ 199	$ 420	$ 237	$ 92
Provisions	808	556	397	1,034
Payments	(845)	(681)	(406)	(980)
Balance at December 31, 2008	162	295	228	146
Provisions	747	563	505	1,134
Payments	(756)	(506)	(494)	(1,120)
Balance at December 31, 2009	153	352	239	160
Provisions	616	899	841	1,162
Payments	(640)	(617)	(670)	(1,163)
Balance at December 31, 2010	$ 129	$ 634	$ 410	$ 159

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 Medicaid, Medicare and other government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items are often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2005 are settled, and the income tax returns for years after 2005 are open. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries.

Pension and Post-Employment Benefits Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for decades, can be significant in relation to the obligations and the annual cost recorded for these programs. Negative asset returns in 2008 due to poor market conditions and low interest rates have significantly increased actuarial losses for these plans. At December 31, 2010, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of $2.9 billion and $307 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

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assets and the actual annual return are amortized over a five-year period. Note 4 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

Valuation of Intangible Assets Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in an impairment occurs. At December 31, 2010, goodwill and intangibles amounted to $15.9 billion and $12.2 billion, respectively, and amortization expense for intangible assets amounted to $1.4 billion in 2010. There were no impairments of goodwill in 2010, 2009 or 2008.

Litigation Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $75 million to $115 million for its legal proceedings and environmental exposures. Reserves of approximately $95 million have been recorded at December 31, 2010 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

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

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Results of Operations

Sales

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

	Total % Change	Components of Change %		
		Price	Volume	Exchange
Total Net Sales				
2010 vs. 2009	14.3	(0.1)	13.2	1.2
2009 vs. 2008	4.2	(0.1)	8.3	(4.0)
2008 vs. 2007	13.9	1.4	9.3	3.2
Total U.S.				
2010 vs. 2009	6.8	0.7	6.1	
2009 vs. 2008	0.4	(0.3)	0.7	
2008 vs. 2007	10.1	3.4	6.7	
Total International				
2010 vs. 2009	20.7	(0.8)	19.3	2.2
2009 vs. 2008	7.7	0.2	15.1	(7.6)
2008 vs. 2007	17.8	(0.5)	12.0	6.3
Pharmaceutical Products Segment				
2010 vs. 2009	20.7	0.2	19.5	1.0
2009 vs. 2008	(1.3)	(0.1)	3.0	(4.2)
2008 vs. 2007	14.2	1.9	9.1	3.2
Nutritional Products Segment				
2010 vs. 2009	4.7	1.7	1.2	1.8
2009 vs. 2008	7.3	1.5	8.6	(2.8)
2008 vs. 2007	12.2	3.4	6.9	1.9
Diagnostic Products Segment				
2010 vs. 2009	6.0	0.1	4.3	1.6
2009 vs. 2008	0.1	1.4	3.7	(5.0)
2008 vs. 2007	13.2	1.3	6.8	5.1
Vascular Products Segment				
2010 vs. 2009	18.6	(4.7)	22.3	1.0
2009 vs. 2008	20.1	(2.9)	26.0	(3.0)
2008 vs. 2007	34.7	(4.6)	35.8	3.5

Worldwide sales growth in 2010 reflects the acquisition of Solvay's pharmaceuticals business on February 15, 2010, unit growth and the positive effect of the relatively weaker U.S. dollar. Worldwide sales growth in 2009 reflects unit growth and the acquisition of Advanced Medical Optics, Inc. on February 25, 2009, partially offset by the negative effect of the relatively stronger U.S. dollar. Worldwide, U.S. and Pharmaceutical Products segment sales also reflect decreased sales of *Depakote* due to generic competition in 2009. Excluding U.S. *Depakote* sales, worldwide sales increased 7.7 percent, U.S. sales increased 7.6 percent and Pharmaceutical Products segment sales increased 4.3 percent from 2008 to 2009.

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Worldwide 2008 sales growth reflects unit growth and the positive effect of the relatively weaker U.S. dollar.

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

	2010	Percent Change	2009	Percent Change	2008	Percent Change
	(dollars in millions)					
Pharmaceuticals						
U.S. Specialty	$ 4,596	(2)	$ 4,676	(10)	$ 5,211	20
U.S. Primary Care	3,010	(1)	3,043	(2)	3,102	(1)
International Pharmaceuticals	8,287	5	7,861	6	7,399	23
Nutritionals						
U.S. Pediatric Nutritionals	1,208	(7)	1,306	3	1,268	3
International Pediatric Nutritionals	1,676	9	1,543	12	1,374	26
U.S. Adult Nutritionals	1,345	6	1,269	9	1,162	8
International Adult Nutritionals	1,268	15	1,106	3	1,070	13
Diagnostics						
Immunochemistry	2,904	4	2,798	(2)	2,843	13

Decreased sales of *Depakote* due to generic competition impacted U.S. Specialty product sales in 2010, 2009 and 2008 and lower sales of *Zemplar*, *Kaletra* and *Lupron* affected U.S. Specialty product sales in 2010. These were partially offset by increased sales of *HUMIRA* in all three years and the addition of *Lupron* sales from the conclusion of the TAP joint venture in April 2008 which increased U.S. Specialty product sales in 2009 and 2008. U.S. sales of *HUMIRA* were $2.8 billion, $2.5 billion and $2.2 billion in 2010, 2009, and 2008, respectively, and U.S. sales of *Depakote* were $161 million, $331 million and $1.3 billion in 2010, 2009 and 2008, respectively. U.S. Primary Care sales were impacted by the discontinuation of *Azmacort* and generic competition for *Cardizem LA* in 2010, by decreased sales of *Synthroid* in 2009 and 2008 and by decreased sales of *Omnicef* and *Biaxin* in 2008 due to generic competition. These were partially offset in all three years by increased sales of *Niaspan* and in 2010 and 2008 by higher *TriCor/Trilipix* franchise sales. Increased sales volume of *HUMIRA* in 2010, 2009 and 2008 favorably impacted International Pharmaceuticals sales, partially offset by decreased sales of clarithromycin. International sales of *HUMIRA* were $3.7 billion, $3.0 billion and $2.3 billion in 2010, 2009 and 2008, respectively. The relatively weaker dollar increased International Pharmaceutical sales in 2010 and 2008 by 1.9 percent and 7.3 percent, respectively. The relatively stronger U.S. dollar decreased International Pharmaceutical sales in 2009 by 8.6 percent. International Pediatric Nutritionals sales increases were due primarily to volume growth in developing countries. U.S. Pediatric Nutritionals sales in 2010 were affected by the voluntary recall of certain Similac-brand powder infant formulas in September 2010. International Adult Nutritionals sales and Immunochemistry sales in 2010 and 2008 were positively impacted by the effect of the relatively weaker U.S. dollar and were negatively impacted in 2009 by the effect of the relatively stronger U.S. dollar. Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were approximately $58 million, $120 million and $111 million in 2010, 2009 and 2008, respectively.

The expiration of licenses, patent protection and generic competition can affect the future revenues and operating income of Abbott. There are currently no significant patent or license expirations in the next three years. Under a license agreement for *TriCor* 145 mg, generic competition could begin as early as March 2011 but is not expected until July 2012. Under an agreement relating to Abbott's niacin products

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and acquired with the Kos Pharmaceuticals acquisition, *Niaspan* may become subject to generic competition in September 2013.

Operating Earnings

Gross profit margins were 58.3 percent of net sales in 2010, 57.1 percent in 2009 and 57.3 percent in 2008. The increase in the gross profit margin in 2010 was due, in part, to improved margins in the pharmaceutical, vascular, diabetes and diagnostics businesses and the favorable effect of exchange on the gross profit margin ratio. The decrease in the gross profit margin in 2009 was due, in part, to the negative impact from lower sales of *Depakote* and the unfavorable effect of exchange on the gross profit margin ratio; partially offset by improved margins in the vascular and diagnostics businesses. The increase in the gross profit margin in 2008 was due, in part, to favorable product mix and the favorable impact of foreign exchange.

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

Research and development expense was $3.724 billion in 2010, $2.744 billion in 2009 and $2.689 billion in 2008 and represented increases of 35.7 percent in 2010, 2.0 percent in 2009 and 7.3 percent in 2008. Excluding charges related to the Solvay restructurings announced in September 2010, research and development expenses in 2010 increased 29.4 percent. This increase, exclusive of the effects of the restructuring charges, reflects the acquisitions of Solvay's pharmaceuticals business in February 2010 and Facet Biotech in April 2010. The increase in 2009 reflects the favorable effect of exchange rates which reduced research and development expense in 2009. Excluding the effect of exchange, research and development expenses increased 3.4 percent in 2009. The increases in 2010, 2009 and 2008 also reflect continued pipeline spending, including programs in vascular devices, biologics, neuroscience, oncology and hepatitis C. The majority of research and development expenditures are concentrated on pharmaceutical products.

Selling, general and administrative expenses increased 23.4 percent in 2010, decreased 0.4 percent in 2009 and increased 13.9 percent in 2008. Excluding charges related to the Solvay restructuring and integration charges, selling, general and administrative expenses in 2010 increased 18.2 percent. This increase, exclusive of the effects of the restructuring and integration charges, reflects the acquisitions of Solvay's pharmaceuticals business in 2010 and Advanced Medical Optics, Inc. in 2009 and higher provisions for litigation in 2010. The 2009 decrease reflects the favorable effect of exchange rates which was offset by expenses relating to the acquisition of Advanced Medical Optics, Inc. and the settlement of litigation. Excluding the effects of the charges and exchange, selling, general and administrative expenses increased 0.9 percent in 2009. The 2008 increase reflects the settlement of litigation relating to *TriCor*, which increased selling, general and administration expenses by 3.1 percentage points. The remaining increases in selling, general and administrative expenses were due primarily to increased selling and marketing support for new and existing products, including continued spending for *HUMIRA* and *Xience V*, and inflation.

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

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

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

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

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

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

Restructurings

In 2010, Abbott management approved a restructuring plan primarily related to the acquisition of Solvay's pharmaceuticals business. This plan streamlines operations, improves efficiencies and reduces costs in certain Solvay sites and functions as well as in certain Abbott and Solvay commercial organizations in various countries. Action plans have been identified and most are expected to be implemented within the next two years. This plan will result in pretax charges of approximately $810 million to $970 million over the life of the plan. These charges include employee-related costs of approximately $650 million, accelerated depreciation and asset write-downs of approximately $105 million, and other related exit costs of up to approximately $215 million, mainly related to discontinuation of certain research and development programs and product transfers. Under this plan, Abbott recorded charges to Cost of products sold, Research and development and Selling, general and administrative of approximately $99 million, $152 million and $272 million, respectively. Additional charges of $12 million were subsequently recorded primarily for accelerated depreciation. The following summarizes the activity for this restructuring: *(dollars in millions)*

2010 restructuring charge	$ 523
Payments, impairments and other adjustments	(113)
Accrued balance at December 31, 2010	$ 410

In 2010 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2010, 2009 and 2008, Abbott recorded charges of approximately $56 million, $114 million and $36 million, respectively, reflecting the impairment of

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manufacturing facilities and other assets, employee severance and other related charges. Approximately $56 million in 2010 is classified as Cost of products sold and $114 million and $36 million in 2009 and 2008, respectively, are classified as Selling, general and administrative. An additional $13 million, $47 million and $81 million were subsequently recorded in 2010, 2009 and 2008, respectively, relating to these restructurings, primarily for accelerated depreciation. The following summarizes the activity for these restructurings: *(dollars in millions)*

Accrued balance at January 1, 2008	$ 194
2008 restructuring charges	36
Payments, impairments and other adjustments	(125)
Accrued balance at December 31, 2008	105
2009 restructuring charges	114
Payments, impairments and other adjustments	(74)
Accrued balance at December 31, 2009	145
2010 restructuring charges	56
Payments and other adjustments	(124)
Accrued balance at December 31, 2010	$ 77

In 2008, Abbott management approved a plan to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott's core diagnostic business. In 2008, Abbott recorded a charge to Cost of products sold of approximately $129 million under the plan. Additional charges of approximately $60 million, $54 million and $16 million were recorded in 2010, 2009 and 2008, respectively, relating to this restructuring, primarily for accelerated depreciation and product transfer costs. Additional charges will be incurred through 2011 as a result of product re-registration timelines required under manufacturing regulations in a number of countries and product transition timelines. The following summarizes the activity for this restructuring: *(dollars in millions)*

2008 restructuring charge	$ 129
Payments and other adjustments	(19)
Accrued balance at December 31, 2008	110
Payments and other adjustments	(12)
Accrued balance at December 31, 2009	98
Payments and other adjustments	(10)
Accrued balance at December 31, 2010	$ 88

Interest expense and Interest (income)

In 2010, interest expense increased due primarily to increased debt levels. In 2009 and 2008, interest expense decreased primarily as a result of lower interest rates, partially offset by increased debt levels in 2009 related to the acquisition of Advanced Medical Optics, Inc. Interest income decreased in 2010 due to lower investment balances, decreased in 2009 due to lower interest rates and increased in 2008 due to higher interest rates.

Other (income) expense, net

Other (income) expense, net, for 2009 includes the derecognition of a contingent liability of $797 million associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture as discussed above, a $287 million gain from the settlement reached between Abbott and Medtronic, Inc. resolving all outstanding intellectual property litigation between the two parties and income from the recording of certain investments at fair value in connection with business acquisitions. Other (income)

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expense, net, for 2010, 2009 and 2008 also includes ongoing contractual payments from Takeda associated with the conclusion of the TAP joint venture and a gain in 2008 on the sale of an equity investment accounted for as an available-for-sale investment. In addition, Abbott recorded a gain of approximately $94 million in connection with the dissolution of the TAP joint venture in 2008.

Taxes on Earnings

The income tax rates on earnings from continuing operations were 19.0 percent in 2010, 20.1 percent in 2009 and 19.2 percent in 2008. As a result of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act which were signed into law in 2010, Abbott recorded a charge of approximately $60 million in 2010 to reduce deferred tax assets associated with retiree health care liabilities related to the Medicare Part D retiree drug subsidy. The tax rate in 2009 was affected by a higher tax rate applied to the derecognition of a contingent liability associated with the conclusion of the TAP Pharmaceutical Products Inc. joint venture and the Medtronic intellectual property litigation settlement.

In October 2010, Puerto Rico enacted legislation that assesses a tax beginning in 2011 on certain products manufactured in Puerto Rico. This excise tax will be recorded in Cost of products sold although the tax is expected to be creditable for U.S. income tax purposes.

Research and Development Programs

Abbott currently has numerous pharmaceutical, medical and nutritional products in development. The significant areas of therapeutic focus include the following:

Pharmaceutical Products

Immunology Projects are ongoing to identify new mechanisms with the potential to treat an array of immune-mediated diseases. Projects include early stage work in oral DMARD therapies and a number of biologic candidates.

Phase III trials are ongoing for additional indications of *HUMIRA* including ulcerative colitis in Japan, ankylosing spondylitits in China, pediatric Crohn's disease in the U.S. and the European Union (EU), uvetis in the U.S., EU and Japan, and peripheral and axial spondyloarthritis in the U.S. and EU. Global regulatory applications for ulcerative colitis were submitted in early 2011.

Neuroscience/Pain Abbott is focused on the development of compounds that target receptors in the brain that help regulate mood, memory and other neurological functions to address conditions such as Alzheimer's disease, schizophrenia, pain, Parkinson's disease and multiple sclerosis (MS). This includes three compounds directed toward the treatment of Alzheimer's disease. ABT-126 and ABT-288 are completing Phase II studies in early 2011 and ABT-384 will complete its Phase II study later in 2011. Daclizumab, a next-generation antibody, entered Phase III clinical trials for relapsing remitting MS in the second quarter of 2010.

Oncology Abbott is focused on the development of targeted treatments that inhibit tumor growth and improve response to common cancer therapies. Abbott has new molecular entities in development for more than a dozen types of cancer including:

ABT-869, a multi-targeted kinase inhibitor, for which a Phase III trial for liver cancer was initiated in 2010 and Phase II studies for other cancer types are ongoing.

ABT-263, a Bcl-2 family protein antagonist, currently in Phase II development for chronic lymphoid leukemia.

ABT-888, a PARP-inhibitor, is completing Phase II in early 2011.

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Elotuzamab under a collaboration agreement acquired as part of the Facet Biotech acquisition in 2010. Abbott expects to begin Phase III development of elotuzamab for the treatment of multiple myeloma with its partner in 2011.

Hepatitis C Abbott's antiviral program is focused on developing treatments for hepatitis C (HCV) and includes a partnership with Enanta Pharmaceuticals to discover protease inhibitors as well as internal programs focused on additional viral targets. In 2010, Abbott initiated Phase II clinical trials to evaluate three of Abbott's HCV antiviral agents, including the investigational protease inhibitor ABT-450, part of the Enanta collaboration. Polymerase inhibitors ABT-333 and ABT-072 as well as ABT-267, a NS5A inhibitor, are currently being developed exclusively by Abbott.

Women's Health In 2010, Abbott entered into a collaboration agreement with Neurocrine to develop and commercialize elagolix, an oral gonadotropin-releasing hormone (GnRH) antagonist, for the treatment of endometriosis-related pain and fibroids. A Phase II study in endometriosis was recently completed.

Chronic Kidney Disease In 2010, Abbott entered into an agreement with Reata Pharmaceuticals for ex-U.S. rights, excluding certain Asian markets, to bardoxolone, an investigational treatment for chronic kidney disease (CKD). A Phase IIb study was recently completed and a global Phase III trial is targeted to begin in 2011.

In addition, new formulations of Abbott's existing pharmaceutical products, including *Lupron* 6-month depot and *AndroGel* 1.62%, are currently under FDA review. Work is also continuing on numerous early-stage programs, including the biologic acquired from Pangenetics for chronic pain in late 2009, a cMet antibody for cancer in partnership with Pierre Fabre SA, and other programs across all of Abbott's therapeutic areas of focus.

Vascular Ongoing projects in the pipeline include:

Xience Nano, a version of *Xience V* for small vessels, currently under regulatory review in the U.S.

Xience PRIME, the next-generation drug-eluting stent (DES) based on *Xience V* attributes. Ongoing clinical trials for *Xience PRIME* in the U.S. are evaluating a range of stent sizes, including small vessel and long lengths.

ABSORB, a bioresorbable vascular scaffold (BVS) device for the treatment of coronary artery disease that is gradually resorbed into the vessel wall. In 2010 Abbott released four-year data from its *ABSORB* clinical trial, which showed efficacy and safety results consistent with the three-year data. In early 2010, Abbott also initiated the *ABSORB EXTEND* clinical trial which will enroll up to 1,000 patients with more complex coronary artery disease. In 2011 after receiving CE Mark approval for *ABSORB*, Abbott announced its plans to initiate a randomized, controlled clinical trial later in 2011 to further study the device in an expanded population in Europe. A global trial, including the U.S. and other geographies, is planned for later this year.

MitraClip device for the treatment of mitral regurgitation In September 2010, Abbott announced additional data from the EVEREST II (Endovascular Valve Edge-to Edge REpair STudy) trial on the safety and clinical benefits of the *MitraClip* system. Abbott's *MitraClip* system which is on the market in Europe is currently under review for approval by the FDA.

Coronary and endovascular core product projects, including new coronary and endovascular guide wires, and the *Herculink Elite* stent for renal indication in the U.S., are at various stages of development and/or undergoing regulatory approvals.

Medical Optics Abbott is expanding its proprietary laser platforms into new vision correction applications, including cataract surgery, and is developing new diagnostic instruments and treatments to improve visual outcomes. Synchrony, a next-generation intraocular lens (IOL) designed to mimic the eye's

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natural ability to change focus and deliver improved vision at all distances for patients following cataract surgery, is currently under FDA review. Abbott is also developing new products for patients undergoing cataract surgery, including new intraocular lenses that address astigmatism, a new insertion system to facilitate micro-incision surgery and an ophthalmic viscoelastic for the U.S. market.

Molecular Diagnostics Numerous new molecular diagnostic products, including oncology and infectious disease assays as well as improved instrument systems, are currently under development. An assay to aid in the management of HCV-infected patients undergoing antiviral therapy is currently under U.S. regulatory review. Additional assays to detect the presence of HIV virus, tuberculosis, and CMV viral load and a test to detect hepatitis B drug resistance in patients are under regulatory review for CE Mark approval.

Core Laboratory Diagnostics Abbott is researching dozens of novel biomarkers focusing on areas such as diabetes, infectious disease, and neuroscience disorders and also has several next generation instrument systems for hematology, immunochemistry and blood screening in development.

Diabetes Care Abbott is developing new products for diabetes patients including the next generation *Freestyle* glucose monitoring system with new features supporting the insulin-using patient. This new system is currently under regulatory review for CE Mark approval and a filing for FDA approval is expected to be submitted in 2011.

Nutrition Abbott is focusing its R&D spend on six benefit platforms that span the pediatric, adult and performance nutrition areas: immunity, cognition, lean body mass, inflammation, metabolism and tolerance. Numerous new products that build on advances in these benefit platforms are currently under development and are expected to be launched in 2011.

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. Factors considered included research and development expenses projected to be incurred for the project (compound or device) 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 2010 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous pharmaceutical and medical device projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the high rate of failure inherent in the research and development of new pharmaceutical and medical device products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. However, Abbott plans to continue to manage our portfolio of projects to achieve research and development spend equal to approximately 9.5 percent to 10 percent of sales each year.

Business Combinations, Technology Acquisitions and Related Transactions

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

On September 8, 2010, Abbott acquired Piramal Healthcare Limited's Healthcare Solutions business, a leader in the Indian branded generics market, for $2.2 billion, in cash, plus additional payments of $400 million annually in 2011, 2012, 2013 and 2014. Abbott recorded a $1.6 billion liability for the present

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value of the additional payments at the acquisition date. The acquisition was financed with current cash. The preliminary allocation of the fair value of the acquisition resulted in the recording of $2.7 billion of deductible acquired intangible assets and $1.0 billion of deductible goodwill. Acquired intangible assets consist primarily of trade names, customer relationships and associated rights and will be amortized over an average of 19 years. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

In February 2010, Abbott acquired Solvay's pharmaceuticals business (Solvay Pharmaceuticals) for approximately $6.1 billion, in cash, plus additional payments of up to EUR 100 million per year if certain sales milestones are met in 2011, 2012 and 2013. Contingent consideration of approximately $290 million was recorded based on a preliminary valuation. The acquisition of Solvay Pharmaceuticals provides Abbott with a large and complementary portfolio of pharmaceutical products and expands Abbott's presence in key global emerging markets. Abbott acquired control of this business on February 15, 2010 and the financial results of the acquired operations are included in these financial statements beginning on that date. Net sales for the acquired operations for 2010 were approximately $3.1 billion. Pretax loss of the acquired operations, including acquisition, integration and restructuring expenses, for 2010 was approximately $395 million. The acquisition was funded with current cash and short-term investments. The preliminary allocation of the fair value of the acquisition is shown in the table below *(in billions of dollars)*. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

Goodwill, non-deductible	$ 2.2
Acquired intangible assets, non-deductible	4.1
Acquired in-process research and development, non-deductible	0.5
Acquired net tangible assets	0.7
Deferred income taxes recorded at acquisition	(1.1)
Total preliminary allocation of fair value	$ 6.4

Acquired intangible assets consist primarily of product rights for currently marketed products and are amortized over 2 to 14 years (average of 11 years). Acquired in-process research and development is accounted for as indefinite lived intangible assets until regulatory approval or discontinuation. The net tangible assets acquired consist primarily of trade accounts receivable of approximately $675 million, inventory of approximately $390 million, property and equipment of approximately $725 million, net of assumed liabilities, primarily trade accounts payable, accrued compensation and other liabilities.

The following unaudited pro forma financial information reflects the consolidated results of operations of Abbott as if the acquisition of Solvay Pharmaceuticals had taken place on January 1, 2010 and January 1, 2009. The pro forma information includes adjustments for amortization of intangible assets and fair value adjustments to acquisition-date inventory as well as acquisition, integration and restructuring expenses. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date. (*in billions of dollars, except per share amounts*)

	2010	2009
Net sales	$ 35.8	$ 34.2
Net earnings	4.6	5.2
Diluted earnings per common share	2.96	3.36

In March 2010, Abbott acquired STARLIMS Technologies for approximately $100 million, in cash, net of cash held by STARLIMS, providing Abbott with leading products and expertise to build its position in laboratory informatics. A substantial portion of the fair value of the acquisition has been allocated to goodwill and amortizable intangible assets. The allocation of the fair value of the acquisition will be finalized when the valuation is completed.

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In April 2010, Abbott acquired the outstanding shares of Facet Biotech Corporation for approximately $430 million, in cash, net of cash held by Facet. The acquisition enhances Abbott's early- and mid-stage pharmaceutical pipeline, including a biologic for multiple sclerosis and compounds that complement Abbott's oncology program. A substantial portion of the fair value of the acquisition has been allocated to acquired in-process research and development that is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation.

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

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

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

In October 2009, Abbott acquired 100 percent of Visiogen, Inc. for $400 million, in cash, providing Abbott with a next-generation accommodating intraocular lens (IOL) technology to address presbyopia for cataract patients. The allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $200 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $24 million and goodwill of approximately $200 million.

In October 2009, Abbott acquired Evalve, Inc. for $320 million, in cash, plus an additional payment of $90 million to be made upon completion of certain regulatory milestones. Abbott acquired Evalve to obtain a presence in the growing area of non-surgical treatment for structural heart disease. Including a previous investment in Evalve, Abbott has acquired 100 percent of the outstanding shares of Evalve. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $28 million of income, which is reported as Other (income) expense, net. The allocation of the fair value of the acquisition resulted in non-deductible definite-lived intangible assets of approximately $140 million, non-deductible acquired in-process research and development of approximately $220 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, goodwill of approximately $100 million and deferred income taxes of approximately $110 million. Acquired intangible assets consist of developed technology and will be amortized over 11 years.

In January 2009, Abbott acquired Ibis Biosciences, Inc. (Ibis) for $175 million, in cash, to expand Abbott's position in molecular diagnostics for infectious disease. Including a $40 million investment in Ibis

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in 2008, Abbott has acquired 100 percent of the outstanding shares of Ibis. A substantial portion of the fair value of the acquisition has been allocated to goodwill and amortizable intangible assets, and acquired in-process research and development which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation. The investment in Ibis in 2008 resulted in a charge to acquired in-process research and development. In connection with the acquisition, the carrying amount of this investment was revalued to fair value resulting in recording $33 million of income, which is reported as Other (income) expense, net.

Except for the acquisition of Solvay Pharmaceuticals, had the above acquisitions taken place on January 1 of the previous year, consolidated net sales and income would not have been significantly different from reported amounts.

In 2010, Abbott entered into an agreement to acquire licensing rights outside the U.S., excluding certain Asian markets, to a product in development for the treatment of chronic kidney disease resulting in a charge to acquired in-process research and development of $238 million. In addition, Abbott acquired an equity interest of approximately $62 million. In 2011, Abbott expects to acquire an additional equity interest and make milestone and other payments related to the license agreement totaling approximately $300 million. In 2010, Abbott also entered into an agreement to develop and commercialize a product for the treatment of endometriosis resulting in a charge to acquired in-process research and development of $75 million. Additional payments of approximately $500 million could be required for the achievement of certain development, regulatory and commercial milestones.

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

Goodwill

At December 31, 2010, goodwill recorded as a result of business combinations totaled $15.9 billion. Goodwill is reviewed for impairment annually or when an event that could result in an impairment occurs. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value except for the Medical Optics unit. While the fair value of the Medical Optics business exceeds its carrying value, extended economic pressure particularly in the LASIK surgery business and longer regulatory approval timelines for products currently under development could result in a valuation in the future where the fair value of the Medical Optics unit has declined below its carrying value, thereby triggering the requirement to estimate the implied fair value of the goodwill and measure for impairment.

Financial Condition

Cash Flow

Net cash from operating activities of continuing operations amounted to $8.7 billion, $7.3 billion and $7.0 billion in 2010, 2009 and 2008, respectively. $2.0 billion of long-term debt to be paid in March and May of 2011 will be funded out of operating cash flow and borrowings. Abbott funded $525 million in 2010, $862 million in 2009 and $285 million in 2008 to defined pension plans. Abbott expects pension funding for its main domestic pension plan of $200 million annually. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2010, Abbott's long-term debt rating was AA by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $6.7 billion that support commercial paper borrowing arr