ABBOTT LABORATORIES
Form 10-K
February 16, 2018

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, 2017 **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)
(224) 667-6100
(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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o
			Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 1,692,434,068 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, 2017), was $82,269,220,045. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2018: 1,746,333,892

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2018 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 16, 2018.

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 15 entitled "Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Cardiovascular and Neuromodulation Products.

On October 3, 2017, Abbott completed the acquisition of Alere, Inc., a diagnostic device and service provider, for an aggregate consideration of approximately $4.5 billion in cash.

On February 27, 2017, Abbott completed the sale of Abbott Medical Optics, its vision care business, to Johnson & Johnson for $4.325 billion in cash.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc., a global medical device manufacturer. Based on the closing Abbott share price on January 4, 2017, the aggregate implied value of the consideration paid in connection with the acquisition was approximately $23.6 billion, including approximately $13.6 billion in cash and approximately $10 billion in Abbott common shares.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. Abbott has since sold all of its 110 million Mylan N.V. ordinary shares.

Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States in emerging markets. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

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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.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

- gastroenterology products, including Creon , for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal and Dicetel , for the treatment of irritable bowel syndrome or biliary spasm; Heptral , Transmetil , and Samyr , for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac , for regulation of the physiological rhythm of the colon;

- women's health products, including Duphaston , for the treatment of many different gynecological disorders; and Femoston , a hormone replacement therapy for postmenopausal women;

- cardiovascular and metabolic products, including Lipanthyl and TriCor , for the treatment of dyslipidemia; Teveten and Teveten Plus , for the treatment of essential hypertension, and Physiotens , for the treatment of hypertension; and Synthroid , for the treatment of hypothyroidism;

- pain and central nervous system products, including Serc , for the treatment of Ménière's disease and vestibular vertigo; Brufen , for the treatment of pain, fever, and inflammation, and Sevedol , for the treatment of severe migraines; and

- respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin , Klacid , and Klaricid); and Influvac®, an influenza vaccine.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building a strong brand with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors have increased competitive pressures.

Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

- core laboratory systems in the areas of immunoassay, clinical chemistry, hematology, and transfusion, including ARCHITECT®, ABBOTT PRISM®, Cell-Dyn®, and the next-generation Alinity family of instruments, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, and therapeutic drug monitoring;

- molecular diagnostics systems, including 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; and the Vysis® FISH product line of genomic-based tests;

- point of care systems, including the i-STAT® and next-generation i-STAT Alinity and cartridges for blood analysis;

rapid diagnostics systems, including benchtop systems and rapid tests in the areas of infectious disease including HIV, malaria, dengue fever and many other tropical diseases; molecular point-of-care testing for influenza A & B, RSV and strep A; cardiometabolic testing including Afinion® and Cholestech platforms and tests; a toxicology business for drug and alcohol testing, remote patient monitoring and consumer self-testing; and

informatics and automation solutions for use in laboratories, including ACCELERATOR *a*3600®, the RALS point of care solution, and AlinIQ , a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, 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 directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

various forms of prepared infant formula and follow-on formula, including Similac®, Similac Pro-Advance , Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive , Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac , Similac® NeoSure®, Similac® Organic, Similac® Special Care®, Similac Total Comfort®, Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain , Grow , Similac Qinti , and Eleva ;

adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure Complete®, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, 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®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®; and

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

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain , Grow , Eleva , 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 where appropriate.

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, retail distribution, 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.

Cardiovascular and Neuromodulation Products

These products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, as well as neuromodulation devices for the management of chronic pain and movement disorders. These products are manufactured, marketed and sold worldwide. In the United States, these products are generally marketed and sold directly to hospitals, ambulatory surgery centers, and physicians offices 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 Cardiovascular and Neuromodulation Products segment are:

- rhythm management products, including Assurity MRI and Endurity MRI pacemaker systems; Ellipse and Fortify Assura implantable cardioverter defibrillators and Quadra Assura MP implantable cardioverter defibrillator with cardiac resynchronization therapy and MultiPoint Pacing technology;

- electrophysiology products, including TactiCath ablation catheter and FlexAbility irrigated ablation catheters; Ampere RF ablation generator; and EnSite Precision cardiac mapping system; and Confirm Rx implantable cardiac monitors;

- heart failure related products, including the HeartMate left ventricular device family and the CardioMEMS HF System pulmonary artery sensor, a heart failure monitoring system;

- vascular products, including the XIENCE family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform; StarClose SE® and Perclose ProGlide® vessel closure devices, TREK® coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal® guidewires, Supera® Peripheral Stent System, a peripheral vascular stent system; Acculink®/Accunet® and Xact®/Emboshield NAV6®, carotid stent systems; and the OPTIS integrated system with the Dragonfly OPTIS imaging catheter and PressureWire FFR measurement systems;

- structural heart products, including MitraClip®, a percutaneous mitral valve repair system; Trifecta Valve with Glide Technology, a surgical tissue heart valve; Portico transcatheter aortic heart valve, SJM Regent mechanical heart valve, and AMPLATZER® occluders; and

- neuromodulation products, including spinal cord stimulators Proclaim Elite Recharge-free IPG and Prodigy MRI IPG, both with BurstDR stimulation, and Proclaim DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders; and the St. Jude Medical Infinity Deep Brain Stimulation System with directional lead technology for the treatment of movement disorders.

The Cardiovascular and Neuromodulation 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.

Other Products

The principal products in Abbott's other businesses include blood glucose and continuous glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand. These products are marketed worldwide and generally

sold directly to wholesalers, government agencies, private health care organizations, health care facilities, mail order pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Some of these products are also marketed and distributed through distributors. Blood and continuous glucose monitoring systems are also marketed and sold to consumers. These products are subject to regulatory changes and competition in technological innovation, price, convenience of use, service, and product performance.

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 around the world. There have been no recent significant availability problems or supply shortages for raw materials or supplies.

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 countries of interest to Abbott. Abbott owns or has licenses 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 2018 to 2038, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

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 a government.

Research and Development

Abbott spent approximately $2.2 billion in 2017, $1.4 billion in 2016, and $1.4 billion in 2015 on research to discover and develop new products and processes and to improve existing products and processes.

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 2017 were approximately $11 million and $37 million, respectively. Capital and operating expenditures for pollution control in 2018 are estimated to be $11 million and $39 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 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 99,000 people as of December 31, 2017.

Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. In addition, Abbott's clinical laboratories and associated testing services are subject to comprehensive government regulation, including registration, certification, and licensure, by federal, state, and local agencies, such as the Centers for Medicare & Medicaid Services, the Drug Enforcement Adminstration, the Substance Abuse and Mental Health Services Administration, and their respective foreign counterparts. Certain of these agencies require our clinical laboratories to meet quality assurance, quality control, and personnel standards and undergo inspections.

Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products.

Abbott's home monitoring services and related products that provide Abbott and third-party medical devices to consumers in the United States are subject to additional federal, state, and local laws and regulations applicable to health care providers and suppliers that submit claims for reimbursement to third-party payors. Medicare, Medicaid, and other third-party payors may from time to time conduct inquiries, claims audits, investigations, and enforcement actions relating to the claims or enrollment criteria.

Further, Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations substantially increase the time, difficulty, and costs incurred in obtaining and maintaining approval to market newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and capital investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, suspension or revocation of billing privileges, and other civil or criminal sanctions, including fines and penalties. Similarly, compliance with the laws and regulations governing clinical laboratories and testing services requires specialized expertise. Failure to comply with these regulatory requirements can result in sanctions, including suspension, revocation, or limitation of a laboratory's certification, which is necessary to conduct business, as well as significant fines or criminal penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, or coverage limitations. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future.

In the United States, the federal government regularly evaluates reimbursement for medical devices, diagnostics, supplies, and other products, as well as the procedures in which these products may be used. The 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. Other payment methodology changes have been proposed and implemented from time to time. For example, Medicare implemented a competitive bidding system for certain durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act establishes a new payment system for clinical laboratory tests, which became effective on January 1, 2018.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the Affordable Care Act), imposed an excise tax on Abbott and other medical device manufacturers and importers. The excise tax was subsequently suspended from January 1, 2016 through December 31, 2017 as part of the Consolidated Appropriations Act of 2016. In January 2018, the excise tax was suspended for an additional two years.

The Affordable Care Act also includes provisions known as the Physician Payments Sunshine Act, which require manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare & Medicaid Services for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes, including potential modification or repeal of all or parts of the Affordable Care Act, or implementation of new health care legislation, could result in significant changes to the health care system.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information and financial information), is increasing. For example, the European Union has enacted stricter data protection laws, which will take effect in 2018, that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the U.S. Food and Drug Administration has issued further guidance concerning

cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in enforcement actions, which could include civil or criminal penalties. Transferring and managing protected information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the marketing, manufacture, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. 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.

INTERNATIONAL OPERATIONS

As discussed in greater detail in the section captioned, "Narrative Description of Business," 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 that 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*).

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, 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 or transition disposed businesses efficiently, 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, result in increased borrowing costs and interest expense, and decrease liquidity.

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 health care 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 (FDA) 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 approval or marketing authorization 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. 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 for non-compliance 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 facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; 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 subject to various international, supranational, federal, and state 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, and international 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 government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. 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.

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

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to our products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 address access to health care products and services and establish certain fees for the medical device industry. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

Abbott incurred and assumed significant indebtedness in connection with the acquisitions of St. Jude Medical and Alere, which could decrease business flexibility and increase consolidated interest expense.

Following the acquisitions of St. Jude Medical and Alere, Abbott's consolidated indebtedness as of December 31, 2017 was approximately $28 billion. This consolidated indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, increasing Abbott's consolidated interest expense, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on

terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition.

Additionally, further borrowing could cause a deterioration of Abbott's credit rating. Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance, and ability to meet its debt obligations. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility.

Abbott depends on sophisticated information technology systems and a cyber attack or other breach of these systems could have a material adverse effect on Abbott's results of operations.

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Any significant attack or other disruption on Abbott's systems or products could have a material adverse effect on Abbott's business.

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 businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

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

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 risk 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 products and technologies 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, 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 technologies, or new indications or uses for existing products, may cause Abbott's products or technologies 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 lot or batch of product, those products 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 lots, batches or products. If problems are not discovered before the product 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 concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

Health care products typically 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 intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, 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, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or 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 self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2017 made up approximately 65 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2017 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 11 to the consolidated financial statements in this report.

Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

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 managing a global supply chain and doing business internationally. Sales outside of the United States in 2017 made up approximately 65 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

differing local product preferences and product requirements;

trade protection measures and import or export licensing requirements;

difficulty in establishing, staffing, and managing operations;

differing labor regulations;

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

political and economic instability, including sovereign debt issues;

restrictions on local currency conversion and/or cash extraction;

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

inflation, recession, and fluctuations in interest rates;

diminished protection of intellectual property; and

potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

Events contemplated by 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:

changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling, source and use laws, and environmental laws;

differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; 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 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, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; widespread outbreaks of infectious diseases, 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; and

legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

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 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, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2017, Abbott owned or leased properties totaling approximately 42 million square feet in 81 countries, of which approximately 70% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 100 manufacturing facilities in 32 countries. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

Reportable Segments	Manufacturing Sites
Cardiovascular and Neuromodulation Products	25
Diagnostic Products	28
Established Pharmaceutical Products	31
Nutritional Products	14
Non-Reportable	2
Worldwide Total	100

Abbott's research and development facilities in the United States are primarily located in California, Illinois, Minnesota, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries including China, Colombia, India, Singapore, Spain, and the United Kingdom.

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, 2018) 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.

In March 2017, the U.S. Environmental Protection Agency (EPA) issued a letter to Alere Toxicology Services, Inc.'s Austin, Texas facility identifying potential violations of the Resources Conservation and Recovery Act and associated regulations. In November 2017, Alere Toxicology Services, Inc. reached an agreement with the EPA and agreed to pay a civil penalty of $186,225.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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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 16, 2018, 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, 62

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

Elected Corporate Officer 1993.

Hubert L. Allen, 52

2013 to present Executive Vice President, General Counsel and Secretary.

Elected Corporate Officer 2012.

Brian J. Blaser, 53

2012 to present Executive Vice President, Diagnostics Products.

Elected Corporate Officer 2008.

John M. Capek, 56

2015 to present Executive Vice President, Ventures.

2007 to 2015 Executive Vice President, Medical Devices.

Elected Corporate Officer 2006.

Robert B. Ford, 44

2015 to present Executive Vice President, Medical Devices.

2014 to 2015 Senior Vice President, Diabetes Care.

2008 to 2014 Vice President, Diabetes Care, Commercial Operations.

Elected Corporate Officer 2008.

Stephen R. Fussell, 60

2013 to present Executive Vice President, Human Resources.

2005 to 2013 Senior Vice President, Human Resources.

Elected Corporate Officer 1999.

Andrew H. Lane, 47

2017 to present Executive Vice President, Established Pharmaceuticals.

2015 to 2017 Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2015 Divisional Vice President, Established Pharmaceuticals, Asia Pacific.

2011 to 2014 Vice President, Asia Pacific, Takeda Pharmaceutical Company Limited (a Japanese pharmaceutical company).

Elected Corporate Officer 2015.

Daniel Salvadori, 39

2017 to present Executive Vice President, Nutritional Products.

2014 to 2017 Senior Vice President, Established Pharmaceuticals, Latin America.

2013 to 2014 Chief Executive Officer, Latin America, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

2012 to 2013 Executive President, Complex Therapeutics Division, CFR Pharmaceuticals S.A.

Elected Corporate Officer 2014.

Brian B. Yoor, 48

2017 to present Executive Vice President, Finance and Chief Financial Officer.

2015 to 2017 Senior Vice President, Finance and Chief Financial Officer.

2013 to 2015 Vice President, Investor Relations.

2010 to 2013 Divisional Vice President, Controller, Diagnostics.

Elected Corporate Officer 2013.

Roger M. Bird, 61

2015 to present Senior Vice President, U.S. Nutrition.

2009 to 2015 Divisional Vice President and General Manager, China and Hong Kong, Nutritional Products.

Elected Corporate Officer 2015.

Sharon J. Bracken, 47

2017 to present Senior Vice President, Rapid Diagnostics.

2013 to 2017 Vice President, Diagnostics, Abbott Point of Care.

2010 to 2013 Divisional Vice President, ADD Global Operations.

Elected Corporate Officer 2013.

Charles R. Brynelsen, 61

2017 to present Senior Vice President, Abbott Vascular.

2016 to 2017 Managing Director, CB Business Advisors, Inc. (a medical device consulting firm).

2015 to 2016 Senior Vice President and President, Medtronic Early Technologies, Medtronic plc (a global medical device company).

2013 to 2015 President, Early Technologies, Covidien plc (a global healthcare products company).

Elected Corporate Officer 2017.

Jaime Contreras, 61

2013 to present Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

2008 to 2013 Vice President, Diagnostics, Global Commercial Operations.

Elected Corporate Officer 2003.

Joseph Manning, 49

2017 to present Senior Vice President, International Nutrition.

2015 to 2017 Vice President, Nutrition, Asia Pacific.

2014 to 2015 General Manager, Indonesia, Nutritional Products.

2009 to 2014 General Manager, Russia, Nutritional Products.

Elected Corporate Officer 2015.

Michael J. Pederson, 56

2017 to present Senior Vice President, CRM and AF/EP.

2015 to 2017 Divisional Vice President and General Manager, Abbott Electrophysiology.

2011 to 2015 Chief Executive Officer, VytronUS, Inc. (a medical device company focused on developing electrophysiology technologies).

Elected Corporate Officer 2017.

Sean Shrimpton, 51

2017 to present Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2015 to 2017 Divisional Vice President, Asia Pacific, Established Pharmaceuticals.

2013 to 2015 General Manager, Balkans, Takeda Pharmaceuticals (a Japanese pharmaceutical company).

2011 to 2013 Vice President Business Operations, South Asia Head of Commercial Operations, Philippines, Malaysia, Singapore, Takeda Pharmaceuticals.

Elected Corporate Officer 2017.

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Jared L. Watkin, 50

2015 to present Senior Vice President, Diabetes Care.

2010 to 2015 Divisional Vice President, Technical Operations, Diabetes Care.

Elected Corporate Officer 2015.

Alejandro D. Wellisch, 43

2017 to present Senior Vice President, Established Pharmaceuticals, Latin America.

2014 to 2017 General Manager, Argentina, Bolivia, Paraguay and Uruguay, Established Pharmaceuticals.

2012 to 2014 General Manager, Argentina, Bolivia, Paraguay and Uruguay, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

Elected Corporate Officer 2017.

Robert E. Funck, 56

2013 to present Vice President, Controller.

2009 to 2013 Vice President, Chief Ethics and Compliance Officer.

Elected Corporate Officer 2005.

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 SIX Swiss Exchange.

	Market Price Per Share			
	2017		2016	
	high	low	high	low
First Quarter	$ 45.84	$ 38.34	$ 44.05	$ 36.00
Second Quarter	49.59	42.31	44.58	36.76
Third Quarter	54.80	47.83	45.79	39.16
Fourth Quarter	57.77	53.20	43.78	37.38

Shareholders

There were 44,581 shareholders of record of Abbott common shares as of December 31, 2017.

Dividends

Abbott declared quarterly dividends of $0.265 per share on common shares in the first, second, and third quarters of 2017. In the fourth quarter of 2017, Abbott declared a quarterly dividend of $0.280 per share on common shares.

Abbott declared quarterly dividends of $0.26 per share on common shares in the first, second, and third quarters of 2016. In the fourth quarter of 2016, Abbott declared a quarterly dividend of $0.265 per share on common shares.

Tax Information for Shareholders

In 2001, the Illinois Department of Commerce and Economic Opportunity designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2017.

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

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, 2017 October 31, 2017	1,489(1)	$ 53.610	0	$ 925,131,209(2)
November 1, 2017 November 30, 2017	15,876(1)	$ 54.740	0	$ 925,131,209(2)
December 1, 2017 December 31, 2017	12,126(1)	$ 55.636	0	$ 925,131,209(2)
Total	29,491(1)	$ 55.051	0	$ 925,131,209(2)

(1)

These shares include:

(i)

the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options 1,489 in October, 1,568 in November, and 1,146 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, 14,308 in November, and 10,980 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 September 11, 2014, Abbott announced that its board of directors approved the purchase of up to $3 billion of its common shares, from time to time.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2017	2016	2015	2014	2013
Net sales (1)	$ 27,390	$ 20,853	$ 20,405	$ 20,247	$ 19,657
Earnings from continuing operations (1)	353	1,063	2,606	1,721	1,988
Net earnings	477	1,400	4,423	2,284	2,576
Basic earnings per common share from continuing operations (1)	0.20	0.71	1.73	1.13	1.27
Basic earnings per common share	0.27	0.94	2.94	1.50	1.64
Diluted earnings per common share from continuing operations (1)	0.20	0.71	1.72	1.12	1.26
Diluted earnings per common share	0.27	0.94	2.92	1.49	1.62
Total assets	76,250	52,666	41,247	41,207	42,937
Long-term debt, including current portion	27,718	20,684	5,874	3,448	3,381
Cash dividends declared per common share	1.075	1.045	0.98	0.90	0.64

(1)

Amounts reflect Abbott's developed markets branded generics pharmaceuticals, animal health and former research-based pharmaceuticals business as discontinued operations.

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 most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are nutritional products, diagnostic testing products, branded generic pharmaceuticals and cardiovascular and neuromodulation products. Sales in international markets comprise approximately 65 percent of consolidated net sales.

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

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

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

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

The sales increase over the last three years was driven primarily by the 2017 acquisitions of St. Jude Medical and Alere and sales growth in the established pharmaceuticals and diagnostics businesses. In 2017, the acquisitions of St. Jude Medical and Alere, partially offset by the sale of AMO, contributed 26.5 percentage points of Abbott's total sales growth. Sales in emerging markets, which represent

approximately 40 percent of total company sales, increased 13.9 percent in 2017 and 6.3 percent in 2016, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

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

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

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

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

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

Since the beginning of the first quarter of 2017, the results of Abbott's Cardiovascular and Neuromodulation Products segment includes Abbott's historical Vascular Products segment and

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

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

Abbott's short- and long-term debt totaled $27.9 billion and $22.0 billion at December 31, 2017 and 2016, respectively. At December 31, 2017, Abbott's long-term debt rating was BBB by Standard and Poor's Corporation and Baa3 by Moody's Investors Service (Moody's). In February 2018, Moody's raised Abbott's rating to Baa2 with a positive outlook. Abbott is committed to reducing its debt levels following the recent acquisitions of St. Jude Medical and Alere. In January 2018, Abbott repaid $3.95 billion of debt and anticipates additional debt repayments throughout 2018. On February 16, 2018, the board of directors authorized the additional redemption of up to $5 billion of currently outstanding long-term notes.

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

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

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

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

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

Abbott declared dividends of $1.075 per share in 2017 compared to $1.045 per share in 2016, an increase of approximately 3%. Dividends paid were $1.849 billion in 2017 compared to $1.539 billion in 2016. The year-over-year change in dividends reflects the impact of the increase in the dividend rate and the additional shares issued to finance the St. Jude Medical acquisition. In December 2017, Abbott increased the company's quarterly dividend by approximately 6% to $0.280 per share from $0.265 per share, effective with the dividend paid in February 2018.

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

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

Critical Accounting Policies

Sales Rebates In 2017, approximately 43 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2017 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will

be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2017, 2016 and 2015 amounted to approximately $2.8 billion, $2.5 billion and $2.2 billion, respectively, or 20.5 percent, 22.9 percent and 21.6 percent of gross sales, respectively, based on gross sales of approximately $13.9 billion, $10.7 billion and $10.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately $139 million in 2017. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately $199 million, $160 million and $124 million for cash discounts in 2017, 2016 and 2015, respectively, and $204 million, $242 million and $238 million for returns in 2017, 2016 and 2015, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

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

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

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

Pension and Post-Employment Benefits Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the

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

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

Litigation Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately $115 million to $160 million for its legal proceedings and environmental exposures. Accruals of approximately $135 million have been recorded at December 31, 2017 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

Results of Operations

Sales

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

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

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

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

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

n/m = Percent change is not meaningful.

(dollars in millions)	2016	Total Change	Impact of Exchange	Total Change Excl. Exchange
Total Established Pharmaceuticals				
Key Emerging Markets	$ 2,912	5%	(8)%	13%
Other	947	1	(1)	2
Nutritionals				
International Pediatric Nutritionals	2,206	(7)	(4)	(3)
U.S. Pediatric Nutritionals	1,677	5		5
International Adult Nutritionals	1,724		(4)	4
U.S. Adult Nutritionals	1,292	1		1
Diagnostics				
Core Laboratory	3,844	4	(2)	6
Molecular	456	(2)	(1)	(1)
Point of Care	513	8		8
Rapid Diagnostics				

Cardiovascular and Neuromodulation				
Rhythm Management				
Electrophysiology	12	(17)		(17)
Heart Failure				
Vascular	2,532	1		1
Structural Heart	352	35	(1)	36
Neuromodulation				

Note:

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

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

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

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

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

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

Excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 207.4 percent in 2017 and 4.5 percent in 2016. The sales increase in 2017 was primarily driven by the acquisition of St. Jude Medical which was completed on January 4, 2017. Excluding the impact of the acquisition, as well as the impact of foreign exchange, sales in the vascular business were essentially flat in 2017 versus the prior year as lower coronary stent sales and the comparison impact from the favorable 2016 resolution of a third-party royalty agreement were offset by higher Structural Heart and endovascular sales. In 2016, double-digit growth in sales of Abbott's *MitraClip* structural heart device for the treatment of mitral regurgitation was partially offset by lower sales of DES products. The increase in the Endovascular business was driven by higher *Supera* and vessel closure sales. Cardiovascular and Neuromodulation Products sales in 2016 were also favorably impacted by the resolution of previously disputed third party royalty revenue related to the prior year. Excluding this royalty impact, worldwide sales of Cardiovascular and Neuromodulation Products would have increased 3.4 percent in 2016.

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

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

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

Operating Earnings

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

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

Selling, general and administrative expenses increased 36.6 percent in 2017 and decreased 1.7 percent in 2016 versus the respective prior year. The 2017 increase was primarily due to the acquisition of the St. Jude Medical business, as well as the incremental expenses to integrate St. Jude Medical with Abbott's existing vascular business, partially offset by the impact of cost improvement initiatives across various functions and businesses. The 2016 decrease reflects the favorable impact of foreign exchange, continued efforts to reduce back office costs, and lower restructuring charges compared to the prior year.

Business Acquisitions

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

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

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

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

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

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

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

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

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

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

acquired tangible liabilities consist of trade accounts payable and other current liabilities of approximately $625 million and other non-current liabilities of approximately $160 million.

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

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

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

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

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately $225 million in cash plus additional payments up to $150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the

acquisition resulted in non-deductible acquired in-process research and development of approximately $220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately $142 million, deferred tax assets and other net assets of approximately $18 million, deferred tax liabilities of approximately $85 million, and contingent consideration of approximately $70 million. The goodwill is identifiable to the Cardiovascular and Neuromodulation Products segment. If the acquisition of Tendyne had taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

Restructurings

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

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

Interest Expense and Interest (Income)

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

Other (Income) Expense, net

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

Taxes on Earnings

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

The Tax Cuts and Jobs Act ("TCJA") was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time

transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

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

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

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

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

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

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

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

Discontinued Operations

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. At the date of the closing, the 110 million Mylan N.V. ordinary shares

that Abbott received were valued at $5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately $1.6 billion. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the close of this transaction, Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan provided various back office support services to each other on an interim transitional basis for up to 2 years. Certain services were extended for an additional five to ten months. Charges by Abbott under this transition services agreement were recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support does not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

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

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

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

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

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

Assets and Liabilities Held for Disposition

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

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

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

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

Research and Development Programs

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

Research and Development Process

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

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

Drug product development.

Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).

Phase II studies to test the efficacy of benefits in a small group of patients.

Phase III studies to broaden the testing to a wider population that reflects the actual medical use.

Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

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

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

Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.

Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.

Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

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

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

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

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

In the EU, cardiovascular and neuromodulation products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive and the Active Implantable Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

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

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

period, respectively, and will impose additional regulatory requirements on manufacturers of such products.

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

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

Areas of Focus

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

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

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

Cardiac Rhythm Management Development of next-generation rhythm management technologies, including enhanced patient engagement and expanded magnetic resonance (MR)-compatibility.

Heart Failure Continued enhancements to Abbott's left ventricular assist systems and pulmonary artery heart failure system, including enhanced connectivity, user-interfaces and remote patient monitoring.

Electrophysiology Development of next-generation technologies in the areas of ablation, diagnostic, mapping and visualization and recording and monitoring.

Vascular Development of next-generation technologies for use in coronary and peripheral vascular procedures.

Structural Heart Development of minimally-invasive devices for the repair and replacement of heart valves and other structural heart conditions.

Neuromodulation Development of next-generation technologies with unique wave forms, enhanced patient and physician engagement and expanded MR-compatibility to treat chronic pain, movement disorders and other indications.

Diabetes Care Develop enhancements and additional indications for the FreeStyle Libre continuous glucose monitoring system to help patients improve their ability to manage diabetes.

Core Laboratory Diagnostics Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays in various areas including infectious disease, cardiac care, metabolics, oncology, as well as informatics and automation solutions to increase efficiency in laboratories.

Molecular Diagnostics Several new molecular in vitro diagnostic (IVD) products and a next generation instrument system are in various stages of development and launch.

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

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

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2017 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of pharmaceutical, medical device and diagnostic products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2018. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

Goodwill

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

Financial Condition

Cash Flow

Net cash from operating activities amounted to $5.6 billion, $3.2 billion and $3.0 billion in 2017, 2016 and 2015, respectively. The increase in Net cash from operating activities in 2017 was primarily due to the favorable impact of improved working capital management, the acquisition of the St. Jude Medical businesses, and higher segment operating earnings. The increase in Net cash from operating activities in 2016 reflects additional focus on the management of working capital. The income tax component of operating cash flow in 2017 includes the 2017 non-cash impact of $1.46 billion of net tax expense related to

the estimated impact of U.S. tax reform. The income tax component of operating cash flow in 2016 and 2015 includes $550 million and $70 million, respectively, of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years; 2015 reflects the non-cash impact of approximately $1.1 billion of tax expense associated with the gain on sale of businesses.

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

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

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

Debt and Capital

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

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

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

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

In the first quarter of 2017, as part of the acquisition of St. Jude Medical, Abbott assumed outstanding debt previously issued by St. Jude Medical. Abbott exchanged certain St. Jude Medical debt obligations with an aggregate principal amount of approximately $2.9 billion for debt issued by Abbott which consists of: $473.8 million of 2.00% Senior Notes due 2018; $483.7 million of 2.80% Senior Notes due 2020;

$818.4 million of 3.25% Senior Notes due 2023; $490.7 million of 3.875% Senior Notes due 2025; and $639.1 million of 4.75% Senior Notes due 2043. Following this exchange, approximately $194.2 million of existing St. Jude Medical notes remain outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately $2.8 billion of various St. Jude Medical debt obligations.

In November 2016, Abbott issued $15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued $2.85 billion of 2.35% Senior Notes due November 22, 2019; $2.85 billion of 2.90% Senior Notes due November 30, 2021; $1.50 billion of 3.40% Senior Notes due November 30, 2023; $3.00 billion of 3.75% Senior Notes due November 30, 2026; $1.65 billion of 4.75% Senior Notes due November 30, 2036; and $3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling $3.0 billion related to the new debt; the swaps have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

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

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

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

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

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

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

Working Capital

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

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

Venezuela Operations

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

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

Capital Expenditures

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

Contractual Obligations

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

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

(a) Amounts reported represent contractual obligations as of December 31, 2017. On January 5, 2018, Abbott repaid long term debt of $1.15 billion due July 10, 2019 and $2.80 billion due November 3, 2022, which reduces future interest obligations on this debt by approximately $475 million over the term of the debt.

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

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

(d) Net unrecognized tax benefits totaling approximately $835 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 14 Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 13 Post-employment Benefits.

Contingent Obligations

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

Legislative Issues

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

Recently Issued Accounting Standards

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which makes changes to the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Abbott is currently evaluating the effect that ASU 2017-12 will have on its consolidated financial statements.

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

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

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

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The standard becomes effective for Abbott beginning in the first quarter of 2018. Abbott does not expect the adoption of the new standard to have a material impact on its consolidated financial statements.

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

Private Securities Litigation Reform Act of 1995 A Caution Concerning Forward-Looking Statements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Market Price Sensitive Investments

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

Non-Publicly Traded Equity Securities

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

Interest Rate Sensitive Financial Instruments

At December 31, 2017 and 2016, Abbott had interest rate hedge contracts totaling $4.0 billion and $5.5 billion, respectively, to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. The fair value of long-term debt at December 31, 2017 and 2016 amounted to $29.0 billion and $21.1 billion, respectively (average interest rates of 3.6% and 3.8% as of December 31, 2017 and 2016, respectively) with maturities through 2046. At December 31, 2017 and 2016, the fair value of current and long-term investment securities amounted to approximately $1.1 billion and $3.1 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

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

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

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(in millions except per share data)

	Year Ended December 31		
	2017	**2016**	**2015**
Net Sales	$ 27,390	$ 20,853	$ 20,405
Cost of products sold, excluding amortization of intangible assets	12,337	9,024	8,747
Amortization of intangible assets	1,975	550	601
Research and development	2,235	1,422	1,405
Selling, general and administrative	9,117	6,672	6,785
Total Operating Cost and Expenses	25,664	17,668	17,538
Operating Earnings	1,726	3,185	2,867
Interest expense	904	431	163
Interest income	(124)	(99)	(105)
Net foreign exchange (gain) loss	(34)	495	(93)
Other (income) expense, net	(1,251)	945	(281)
Earnings from Continuing Operations Before Taxes	2,231	1,413	3,183
Taxes on Earnings from Continuing Operations	1,878	350	577
Earnings from Continuing Operations	353	1,063	2,606
Earnings from Discontinued Operations, net of taxes	124	321	65
Gain on sale of Discontinued Operations, net of taxes		16	1,752
Net Earnings from Discontinued Operations, net of taxes	124	337	1,817
Net Earnings	$ 477	$ 1,400	$ 4,423
Basic Earnings Per Common Share			
Continuing Operations	$ 0.20	$ 0.71	$ 1.73
Discontinued Operations	0.07	0.23	1.21
Net Earnings	$ 0.27	$ 0.94	$ 2.94
Diluted Earnings Per Common Share			
Continuing Operations	$ 0.20	$ 0.71	$ 1.72
Discontinued Operations	0.07	0.23	1.20
Net Earnings	$ 0.27	$ 0.94	$ 2.92
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,740	1,477	1,496
Dilutive Common Stock Options	9	6	10
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,749	1,483	1,506

Outstanding Common Stock Options Having No Dilutive Effect	5	1

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income
(in millions)

	Year Ended December 31		
	2017	**2016**	**2015**
Net Earnings	$ 477	$ 1,400	$ 4,423
Foreign currency translation gain (loss) adjustments	1,365	(130)	(2,013)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of $(61) in 2017, $(125) in 2016 and $101 in 2015	(243)	(326)	252
Unrealized gains (losses) on marketable equity securities, net of taxes of $(76) in 2017, $(28) in 2016 and $104 in 2015	64	(134)	64
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of $(43) in 2017, $(4) in 2016 and $(9) in 2015	(134)	(15)	(35)
Other Comprehensive Income (Loss)	1,052	(605)	(1,732)
Comprehensive Income	$ 1,529	$ 795	$ 2,691
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31:			
Cumulative foreign currency translation (loss) adjustments	$ (3,452)	$ (4,959)	$ (4,829)
Net actuarial (losses) and prior service (cost) and credits	(2,521)	(2,284)	(1,958)
Cumulative unrealized (losses) gains on marketable equity securities	(5)	(69)	65
Cumulative (losses) gains on derivative instruments designated as cash flow hedges	(84)	49	64
Accumulated other comprehensive income (loss)	$ (6,062)	$ (7,263)	$ (6,658)

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(in millions)

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

Cash and Cash Equivalents, Beginning of Year	18,620	5,001	4,063
Cash and Cash Equivalents, End of Year	$ 9,407	$ 18,620	$ 5,001
Supplemental Cash Flow Information:			
Income taxes paid	$ 570	$ 620	$ 631
Interest paid	917	181	166

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

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

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in millions)

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

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

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(in millions except shares and per share data)

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

Noncontrolling Interests in Subsidiaries:			
Beginning of Year	$ 179	$ 115	$ 113
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	22	64	2
End of Year	$ 201	$ 179	$ 115

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

NATURE OF BUSINESS Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

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

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

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

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

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

REVENUE RECOGNITION Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics and medical optics, prior to its divestiture, Abbott participates in selling arrangements that include multiple

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

deliverables (e.g., instruments, reagents, procedures, and service agreements). Under these arrangements, Abbott recognizes revenue upon delivery of the product or performance of the service and allocates the revenue based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

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

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

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

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

FAIR VALUE MEASUREMENTS For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

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

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

All excess tax benefits or tax deficiencies are now recognized as income tax benefit or expense as applicable. Previously, Abbott recorded the benefits to Shareholders' Investment. The tax benefit recorded in Abbott's Consolidated Statement of Earnings for 2017 was $120 million. The standard does not permit retrospective presentation of this benefit in prior years.

The tax benefit or deficiency is required to be classified as an operating activity in the statement of cash flows. Previously, it was required to be classified within financing activities. Abbott has adopted this standard on a prospective basis and has not revised the classification of the excess tax benefit in the prior year's Consolidated Statement of Cash Flows.

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

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CONCENTRATION OF RISK AND GUARANTEES Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Product warranties are not significant.

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

Note 2 Discontinued Operations

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

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

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

In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received $2.704 billion in proceeds. Abbott recorded a $45 million gain from the sale of these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

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

As a result of the disposition of the above businesses, the operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2 Discontinued Operations (Continued)

an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

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

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

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

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

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

Note 3 Assets and Liabilities Held for Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for $4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital.

The decision to sell AMO reflected Abbott's proactive shaping of its portfolio in line with its strategic priorities. In February 2017,

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 3 Assets and Liabilities Held for Disposition (Continued)

Abbott completed the sale of AMO to Johnson & Johnson and recognized a pre-tax gain of $1.163 billion including working capital adjustments, which was reported in the Other (income) expense, net line of the Consolidated Statement of Earnings in 2017. Abbott recorded an after-tax gain of $728 million in 2017 related to the sale of AMO. The operating results of AMO up to the date of sale continued to be included in Earnings from continuing operations as the business did not qualify for reporting as discontinued operations. For 2017, 2016 and 2015, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were $(18) million, $30 million and $64 million, respectively. Assets and liabilities of AMO were classified as held for disposition in Abbott's Consolidated Balance Sheet as of December 31, 2016.

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

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 4 Supplemental Financial Information

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

The detail of various balance sheet components is as follows:

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

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 4 Supplemental Financial Information (Continued)

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

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

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

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

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

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

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Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5 Accumulated Other Comprehensive Income (Loss)

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

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

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

Note 6 Business Acquisitions

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

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received $46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6 Business Acquisitions (Continued)

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

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

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

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

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6 Business Acquisitions (Continued)

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

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

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

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

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

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately $485 million in 2016. This includes amortization of approximately $940 million of inventory step-up and $1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately $28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately $750 million, which includes $225 million of

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Notes to Consolidated Financial Statements (Continued)

Note 6 Business Acquisitions (Continued)

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

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

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

Note 7 Goodwill and Intangible Assets

The total amount of goodwill reported was $24.0 billion at December 31, 2017 and $7.7 billion at December 31, 2016. The amounts reported at December 31, 2017 and 2016 exclude goodwill reported in non-current assets held for disposition. In 2017, approximately $2.0 billion of goodwill was included as part of the net assets sold in the AMO divestiture. Goodwill increased by $17.2 billion in 2017 due to the completion of the St. Jude Medical and Alere acquisitions, partially offset by a decrease of $1.5 billion due to the sale of certain businesses to Terumo, Quidel and Siemens. Foreign currency translation increased goodwill by $653 million in 2017 and decreased goodwill by $66 million in 2016. Business acquisitions increased goodwill by approximately $79 million during 2016. The amount of goodwill related to reportable segments at December 31, 2017 was $3.2 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $4.1 billion for the Diagnostic Products segment, and $15.5 billion for the Cardiovascular and Neuromodulation Products segment. The Cardiovascular and

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Notes to Consolidated Financial Statements (Continued)

Note 7 Goodwill and Intangible Assets (Continued)

Neuromodulation Products segment includes the amount previously reported under Abbott's Vascular Products segment, as well as the goodwill related to the St. Jude Medical acquisition. In 2017, there was no significant reduction of goodwill relating to impairments.

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

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

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

Note 8 Restructuring Plans

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

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

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Notes to Consolidated Financial Statements (Continued)

Note 8 Restructuring Plans (Continued)

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

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

Note 9 Incentive Stock Program

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

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

Under Abbott's stock incentive programs, the purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options generally vest equally over three years. Restricted stock awards generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the

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Notes to Consolidated Financial Statements (Continued)

Note 9 Incentive Stock Program (Continued)

award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Forfeitures are estimated at the time of grant. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

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

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

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2016	35,888,333	$ 34.17	5.3	23,290,260	$ 30.48	3.5
Granted	4,985,970	45.03				
Converted for St. Jude Medical	7,364,571	30.50				
Exercised	(11,620,026)	27.85				
Lapsed	(805,048)	39.76				
December 31, 2017	35,813,800	$ 36.85	5.8	22,216,890	$ 34.54	4.7

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

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

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Notes to Consolidated Financial Statements (Continued)

Note 9 Incentive Stock Program (Continued)

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

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 10 Debt and Lines of Credit

The following is a summary of long-term debt at December 31: (*in millions*)

	2017	2016
5.125% Notes, due 2019	$ 947	$ 947
2.35% Notes, due 2019	2,850	2,850
2.50% Line of credit borrowing due 2019	1,150	
2.80% Notes, due 2020	500	
4.125% Notes, due 2020	597	597
2.00% Notes, due 2020	750	750
2.90% Notes, due 2021	2,850	2,850
2.55% Notes, due 2022	750	750
2.62% Term loan due 2022	2,800	
3.25% Notes, due 2023	900	
3.40% Notes, due 2023	1,500	1,500
3.875% Notes, due 2025	500	
2.95% Notes, due 2025	1,000	1,000
3.75% Notes, due 2026	3,000	3,000
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.0% Notes, due 2039	515	515
5.3% Notes, due 2040	694	694
4.75% Notes, due 2043		