

# Abbott Laboratories Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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Registration number: 00329102

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## **Abbott Laboratories Limited**

### **Strategic Report for the Year Ended 31 December 2018**

The Directors present their strategic report for the year ended 31 December 2018.

#### **Principal Activity**

The principal activity of the Company is the UK sale and distribution of a diverse range of healthcare products across nutrition, diagnostics and medical devices sectors.

#### **Results and Performance**

The results of the Company for the year, as set out on pages 9 to 10, show an operating profit on continuing operations of £5,993,000 (2017: £4,977,000). The net assets of the Company are £319,113,000 (2017: £224,132,000).

The performance of the Company during 2018 has been strong. Sales of Freestyle Libre, Abbott's ground-breaking Flash Glucose Monitoring system, have grown rapidly since the product gained reimbursement through the NHS in late 2017. In nutrition the Company saw strong market growth in the core oral market as well as positive uptake for its recently launched consumer products. In diagnostics the launch of Alinity, Abbott's new family of diagnostics systems has been well received by customers who recognise the improvements it can bring to the speed, efficiency and accuracy of laboratories.

During the year the Company was involved in restructuring activities brought about by Abbott's global acquisition of St. Jude Medical. The Company acquired the complete share capital of Abbott Medical UK Limited from Abbott UK Holdings Limited. The Company issued shares at a premium in exchange for the shares in Abbott Medical UK Limited

In early January 2019 the Company transferred the existing Vascular business as well as the Mitraclip product, part of the Structural Heart portfolio, to Abbott Medical UK Limited. This transfer was part of the same restructuring activities described above. Its purpose was to align all parts of Abbott's complete Cardiovascular and Neuromodulation business within a single legal entity, better allowing Abbott to address customer needs and deliver first class customer service. The results of the transferred business have been shown as discontinued operations.

## Abbott Laboratories Limited

### Strategic Report for the Year Ended 31 December 2018 (continued)

#### Key Performance Indicators (KPIs)

The Board monitors the progress of the Company through the following KPIs.

	2018	2017	
	£'000	£'000	
Turnover (continuing operations)	243,703	229,257	Rapid growth of Freestyle Libre supported by strong performance across the business
Operating profit (continuing operations)	5,993	4,977	Additional profit resulting from increased Freestyle Libre sales
Current ratio	231%	131%	Reflects increases in cash balances, inventory and trade receivables

#### Principal Risks and Uncertainties

The process of risk assessment and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to management approval at an appropriate level and a regular review cycle is in place. Compliance with regulatory, legal and ethical standards is a high priority for the Company and the compliance team and finance teams take on an important oversight role in this regard. The Company is also subject to an internal audit on a regular cycle.

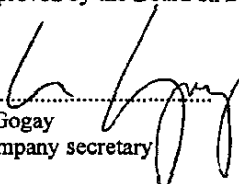
The principal risks to which the business is exposed are described below.

**Competitive risks:** Competitive price pressures in the UK Healthcare sector could result in the Company losing sales to competitors. A significant proportion of sales are based on tenders which vary in length from around one year up to seven years or longer. Because of this the outcome of a tender will potentially impact sales for an extended period. The same price pressure could also result in an erosion of prices over time thereby negatively impacting the Company's margin. This risk is managed through the constant development and refinement of products, new technologies and new ways of adding value for the customer.

**Financial risks:** A portion of the Company's purchases are denominated in Euro and US Dollars and it is therefore exposed to fluctuations in those currencies against Sterling. The Company hedges its balance sheet position to minimise this risk. The Company is financed through share capital and a variable rate loan with an intra-group partner. Although this exposes the Company to interest rate risk the directors do not consider this to be a significant risk.

**Political risks:** The Company has a Government Affairs function that actively monitors political developments that may impact on the business. Within this framework the potential impact of Brexit has been considered and an extensive program of risk mitigation measures has been implemented to ensure the associated risk is minimised.

Approved by the Board on 27 September 2019 and signed on its behalf by:

  
K Gogay  
Company secretary

## **Abbott Laboratories Limited**

### **Directors' Report for the Year Ended 31 December 2018**

The Directors present their report and the financial statements for the year ended 31 December 2018.

#### **Directors and Company Secretary of the Company**

The Directors and Company Secretary who held office during the year and up to the date of approval of the financial statements were as follows:

S Hudson (resigned 31 August 2018)

G Hall (resigned 27 September 2018)

B Yoor (resigned 16 January 2019)

N Harris (appointed 31 August 2018)

G Mountrichas (appointed 27 September 2018)

The following director was appointed after the year end:

K Peterson (appointed 16 January 2019)

Company Secretary

K Gogay

#### **Dividends**

The Directors do not recommend a final (2017 - £Nil) or interim dividend (2017 - £Nil) for the year.

#### **Restructuring Activities**

During the year the Company was involved in restructuring activities brought about by Abbott's global purchase of St. Jude Medical. The Company acquired the complete share capital of Abbott Medical UK Limited from Abbott UK Holdings Limited. The Company issued shares at a premium in exchange for the shares in Abbott Medical UK Limited.

#### **Post Balance sheet event**

Associated with the St Jude Medical restructuring the Company transferred its Structural Heart and Vascular business to Abbott Medical UK Limited in January 2019. This transfer places business units in the most appropriate entity. The effect on the profit and loss had this transfer been made prior to January 2019 is shown in the profit and loss account with results of the Structural Heart and Vascular business transferred shown as discontinued operations. The transfer was made on a no loss no gain basis with consideration received in the form of additional shares issued by Abbott Medical UK Limited to the Company at a premium.

#### **Financial instruments**

Details of financial instruments are provided in the Strategic Report.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. Company policy and practice ensure that there is no discrimination against disabled people regarding training, career development and promotion opportunities.

#### **Employee involvement**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and by electronic communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employees participate directly in the success of the business through the Company's profit sharing schemes and are encouraged to invest in the Company through participation in share purchase and option schemes.

## **Abbott Laboratories Limited**

### **Directors' Report for the Year Ended 31 December 2018 (continued)**

#### **Future developments**

The Directors aim to maintain the management policies which have resulted in the Company's growth in recent years. They consider that the next year will show a further growth in sales from continuing operations.

#### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has significant resources and contracts in place that will generate revenue and enable the Company to manage risk. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

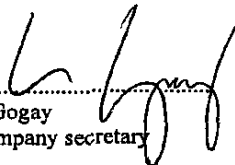
#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### **Auditors**

The auditor, Ernst & Young, Chartered Accountants and Statutory Audit Firm, was appointed as auditor on 13 August 2018 and will continue in office in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 27 September 2019 and signed on its behalf by:

  
.....  
K. Gogay  
Company secretary

## **Abbott Laboratories Limited**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with FRS102 ('The Financial Reporting standard applicable in the UK and Republic of Ireland' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED**

### **Opinion**

We have audited the financial statements of Abbott Laboratories Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



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We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.





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#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Feargal De Freine (Senior Statutory Auditor)

for and on behalf of Ernst & Young Chartered Accountants and Statutory Auditor

Dublin, Ireland

30 September 2019

## Profit and Loss Account for the Year Ended 31 December 2018

The notes on pages 14 to 35 form an integral part of these financial statements.

# Abbott Laboratories Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Profit for the year		18,579	668
Unrealised gain/(loss) on cash flow hedges		9,993	(12,174)
Movement on deferred tax relating to cash flow hedges		(1,748)	2,191
Remeasurement gain on defined benefit pension scheme		34,400	64,900
Movement on deferred tax relating to defined benefit pension scheme		(5,542)	(9,468)
		37,103	45,449
Total comprehensive income for the year		55,682	46,117

The notes on pages 14 to 35 form an integral part of these financial statements.  
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**Abbott Laboratories Limited**

**(Registration number: 00329102)  
Balance Sheet as at 31 December 2018**

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Intangible assets	11	903	1,032
Tangible assets	12	29,035	25,268
Investments in subsidiaries	13	82,463	42,863
		<u>112,401</u>	<u>69,163</u>
<b>Current assets</b>			
Stocks	14	12,520	9,602
Debtors	15	119,585	222,331
Cash at bank and in hand		12,875	9,976
		<u>144,980</u>	<u>241,909</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(62,851)</u>	<u>(184,465)</u>
<b>Net current assets</b>		<u>82,129</u>	<u>57,444</u>
<b>Total assets less current liabilities</b>		194,530	126,607
<b>Provisions for liabilities</b>	10	<u>(25,517)</u>	<u>(19,975)</u>
<b>Net assets excluding pension asset</b>		169,013	106,632
Net pension asset	17	150,100	117,500
<b>Net assets</b>		<u>319,113</u>	<u>224,132</u>

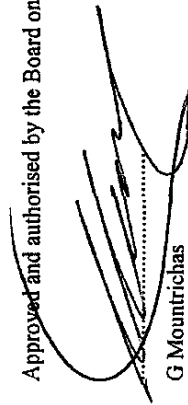
The notes on pages 14 to 35 form an integral part of these financial statements.  
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**Abbott Laboratories Limited**

**(Registration number: 00329102)  
Balance Sheet as at 31 December 2018 (continued)**

	Note	2018 £ 000	2017 £ 000
<b>Capital and reserves</b>			
Called up share capital	18	106,842	76,144
Share premium reserve	18	30,403	21,501
Other reserves		21,119	13,175
Profit and loss account		<u>160,749</u>	<u>113,312</u>
<b>Total equity</b>		<u><u>319,113</u></u>	<u><u>224,132</u></u>

Approved and authorised by the Board on 27 September 2019 and signed on its behalf by:



G Mountrichas  
Director

**Abbott Laboratories Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2018**

	Share capital £ 000	Share premium £ 000	Other reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	76,144	21,501	13,175	113,312	224,132
Profit for the year	-	-	-	18,579	18,579
Other comprehensive income	-	-	8,245	28,858	37,103
Total comprehensive income	-	-	8,245	47,437	55,682
Issue of new shares	30,698	8,902	-	-	39,600
Share based payment transactions	-	-	(301)	-	(301)
At 31 December 2018	106,842	30,403	21,119	160,749	319,113
	Share capital £ 000	Share premium £ 000	Other reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	76,144	21,501	23,052	57,212	177,909
Profit for the year	-	-	-	668	668
Other comprehensive income/(loss)	-	-	(9,983)	55,432	45,449
Total comprehensive income/(loss)	-	-	(9,983)	56,100	46,117
Share based payment transactions	-	-	106	-	106
At 31 December 2017	76,144	21,501	13,175	113,312	224,132

The notes on pages 14 to 35 form an integral part of these financial statements.

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018**

#### **1 General information**

The Company is a private company limited by share capital incorporated in England & Wales.

The address of its registered office is:

Abbott House  
Vanwall Business Park  
Vanwall Road  
Maidenhead  
Berkshire  
SL6 4XE  
England

These financial statements were authorised for issue by the Board on 27 September 2019.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Key estimates and judgements are discussed on pages 16 and 17.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

##### **Summary of disclosure exemptions**

The Company has used exemptions from the following disclosure requirements of FRS102:

Statements of Cash Flows section 3.17 (d)  
Basic Financial Instruments sections 11.39 to 11.48A  
Other Financial Instrument Issues sections 12.26 to 12.29  
Share based payments sections 26.18(b), 26.19 to 26.21, 26.23  
Related Party Disclosures sections 33.1A and 33.7.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except as disclosed in the accounting policies certain items are shown at fair value.

These financial statements have been prepared in pounds sterling which is the Company's functional currency. All amounts are presented in thousands.

##### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Exemption from preparing group accounts**

The financial statements contain information about Abbott Laboratories Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Abbott Laboratories, a company incorporated in USA.



## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Judgements**

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that the actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Impairment of investments:** When the Company identifies indicators of impairment it performs impairment reviews to ensure that the market value, or the underlying asset value, of investments in subsidiary companies is equal to or exceeds the value of investments reported in the balance sheet.

**Leases:** The Company has entered into commercial property leases as a lessee to obtain the use of the properties. The classification of such leases as operating or finance leases requires the Company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the financial statements.

##### **Key sources of estimation uncertainty**

**Pension and other post employment benefits:**

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17. The net pension asset carrying amount at the balance sheet date is £150,100,000 (2017 - £117,500,000).

**Goodwill:**

Positive goodwill acquired in a business combination is capitalised, classified as an asset on the Balance sheet and amortised on a straight line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance. The net carrying amount at the balance sheet date is £903,000 (2017 - £1,032,000).

**Taxation:**

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the UK tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the company and the responsible tax authority.

Management estimation is required to determine the amounts of deferred tax assets that can be recognised, based upon likely timing and level of future profits together with an assessment of the effect of future tax planning strategies. Further details are included in note 10. The following carrying amount refers to the deferred tax assets. The net deferred tax assets carrying amount at the balance sheet date is £2,555,000 (2017 - £2,821,000).

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Provision for Doubtful Accounts:

A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. The net carrying amount at the balance sheet date is £737,000 (2017 - £611,000).

##### Provision for Stock Allowance:

At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss. The net carrying amount at the balance sheet date is £Nil (2017 - £Nil).

#### Financial assets and liabilities

##### Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the

extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **iii. Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Revenue recognition**

Turnover from product sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the goods are delivered to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Turnover is reported net of a provision for customer rebates. Within Abbott's diagnostics division, the selling arrangement includes multiple products. Revenue is recognised upon delivery of the product or performance of the service and is allocated based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Turnover is net of VAT.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at the balance sheet date or, where appropriate, at the rates of exchange in a related forward exchange contract. Exchange differences are included in the profit and loss account. The Company also enters into cash flow hedge transactions. To the extent that the hedge is considered to be effective the cumulative gain or loss on the forward contract is recognised in other comprehensive income. Amounts are transferred to the profit and loss account in the period in which the hedged cash flows impact profit or loss.

##### **Tax**

UK corporation tax is provided at amounts expected to be paid, or recovered, using the tax rates and laws enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in different periods from those in which they are recognised in the accounts. A net deferred tax asset is recognised as recoverable only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not discounted

##### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

Equity investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold land and buildings	Straight line 5 -10 %
Furniture, fittings and equipment	Straight line 8 - 50%

##### Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line 5%

##### Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### Stocks

Finished goods stocks are stated at the lower of cost or net realisable value. Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Leases**

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms or their useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital payments outstanding.

Assets held under operating leases are charged on a straight-line basis over the term of the lease, even if payments are not made on such a basis.

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant periodic rate of return on the net cash investment in the lease.

##### **Defined contribution pension obligation**

Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable. Contributions by the Company and the employee are held within the Legal and General Master Trust which is administered by separate trustees.

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Defined benefit pension obligation**

The Company operates a defined benefit pension scheme for employees under which contributions by employees and the Company are held by a separately administered trustee company. The scheme was closed to new entrants in June 2015 from which time membership of a defined contribution scheme was available.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the defined benefit net pension asset by the discount rate at the start of the period taking into account any changes in the defined benefit net asset during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit asset (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined benefit net asset or liability in the balance sheet comprises the total value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is recognised to the extent that it can be recovered through reduced future contributions or a refund.

Abbott Laboratories Limited is the sponsoring employer of the defined benefit scheme as it is the principal employer. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual group entities and therefore the Company has recognised the entire net defined benefit cost and relevant net defined benefit asset of the scheme in its individual financial statements.

##### **Share based payments**

The Company has applied the requirements of FRS102 "Share-based payments". The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations, including forfeiture. The Company also provides employees with the ability to purchase the ultimate parent company's ordinary shares at the current market value via a deduction from gross pay. The Company operates a matching arrangement under which additional shares are purchased and held for the employee. The Company records an expense of the actual cost of matching shares purchased.

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Derivatives

Abbott Laboratories (the ultimate parent company) enters into foreign currency forward exchange contracts on behalf of Abbott Laboratories Limited, to manage currency exposures for foreign currency intercompany loans receivable or payable which are denominated in a currency other than the functional currency of the entity. These are recorded on the balance sheet at fair value and accounted for as fair value through equity.

##### Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

##### Reserves

###### *Share Premium*

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

###### *Other Reserves*

Other reserves includes the cash flow hedge reserve, which is used to record transactions arising from the Company's cash flow hedging arrangements. In addition it includes the capital contribution reserve which records the share based payment transactions.

#### 3 Turnover

The analysis of the Company's turnover for the year from continuing and discontinuing operations is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Sale of goods - UK	<u>273,224</u>	<u>257,389</u>

#### 4 Operating profit

Arrived at after charging/(crediting)

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense	7,815	7,024
Amortisation expense	129	129
Foreign exchange (gains)/losses	(727)	878
Operating lease expense - plant and machinery	1,037	1,003
Operating lease expense - other	3,007	2,871
Loss on disposal of property, plant and equipment	<u>9</u>	<u>92</u>

#### 5 Interest receivable and similar income

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest income on defined benefit pension (net)	3,100	1,600
Interest income on bank deposits	18	5
Other finance income - interest income on loans to group undertakings	<u>773</u>	<u>1,010</u>
	<u>3,891</u>	<u>2,615</u>

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 6 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Interest on bank overdrafts and borrowings	4	4
Interest payable on loans from group undertakings	380	888
	<u>384</u>	<u>892</u>

#### 7 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	50,004	38,038
Social security costs	5,569	5,122
Pension costs, defined benefit scheme	7,111	6,833
	<u>62,684</u>	<u>49,993</u>

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Administration and support	522	485
Distribution	31	31
	<u>553</u>	<u>516</u>

#### 8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Remuneration	<u>1,219</u>	<u>927</u>

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Received or were entitled to receive shares under long term incentive schemes	4	2
Exercised share options	1	1
Accruing benefits under defined benefit pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:



## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 8 Directors' remuneration (continued)

	2018 £ 000	2017 £ 000
Remuneration	792	667
Defined benefit accrued pension entitlement at the end of the year	<u>27</u>	<u>25</u>

#### 9 Auditors' remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	28	28
Taxation services	<u>67</u>	<u>164</u>
	<u>95</u>	<u>192</u>

#### 10 Taxation

Tax charged/(credited) in the income statement.

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax	266	7,583
UK corporation tax adjustment to prior periods	<u>(7,541)</u>	<u>-</u>
	<u>(7,275)</u>	<u>7,583</u>

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	<u>11,304</u>	<u>8,251</u>
Corporation tax at standard rate	2,148	1,588
Effect of expense not deductible in determining taxable profit	1,410	5,989
Deferred tax expense relating to changes in tax rates or laws	24	6
Decrease in UK and foreign current tax from adjustment for prior periods	<u>(7,541)</u>	<u>-</u>
Tax decrease arising from group relief	<u>(3,316)</u>	<u>-</u>
Total tax (credit)/charge	<u>(7,275)</u>	<u>7,583</u>

#### Deferred tax

Deferred tax assets and liabilities are as follows:

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Taxation (continued)

	Asset £ 000	Liability £ 000
<b>2018</b>		
Accelerated tax depreciation	1,729	-
Other timing differences	826	-
Pension asset	-	25,517
	<u>2,555</u>	<u>25,517</u>
 <b>2017</b>		
Accelerated tax depreciation	1,978	-
Other timing differences	843	-
Pension asset	-	19,975
	<u>2,821</u>	<u>19,975</u>

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. A further reduction from 19% to 17% has been enacted, and will take effect from 1 April 2020.

The adjustment for tax in prior periods of £7,541,000 reflects group tax losses surrendered to the company from a fellow group undertaking. Subsequent to the approval of the prior year financial statements on 21st September 2018, the tax position of the group undertaking was finalized and the availability of the group relief was confirmed.

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 11 Intangible assets

	Goodwill £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 January 2018	2,579	2,579
At 31 December 2018	2,579	2,579
<b>Amortisation</b>		
At 1 January 2018	1,547	1,547
Provided during the year	129	129
At 31 December 2018	1,676	1,676
<b>Carrying amount</b>		
At 31 December 2018	903	903
At 31 December 2017	1,032	1,032

Goodwill is being amortised over 20 years, which is supported by the projected future product sales related to the goodwill. An amortisation charge of £129,000 (2017 - £129,000 ) was recognised in the current year. Goodwill relates to the Structural Heart and Vascular business, which was transferred for consideration equal to the book value of the business's net assets (including goodwill) to Abbott Medical UK Limited in January 2019 (note 23).

#### 12 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Properties under construction £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2018	5,097	78,208	613	83,918
Additions	49	13,603	-	13,652
Disposals	-	(7,540)	-	(7,540)
Transfers	-	476	(476)	-
At 31 December 2018	5,146	84,747	137	90,030
<b>Depreciation</b>				
At 1 January 2018	1,815	56,835	-	58,650
Charge for the year	394	7,421	-	7,815
Eliminated on disposal	-	(5,470)	-	(5,470)
At 31 December 2018	2,209	58,786	-	60,995

**Abbott Laboratories Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

**12 Tangible assets (continued)**

	<b>Land and buildings £ 000</b>	<b>Furniture, fittings and equipment £ 000</b>	<b>Properties under construction £ 000</b>	<b>Total £ 000</b>
<b>Carrying amount</b>				
At 31 December 2018	<u>2,937</u>	<u>25,961</u>	<u>137</u>	<u>29,035</u>
At 31 December 2017	<u>3,282</u>	<u>21,373</u>	<u>613</u>	<u>25,268</u>

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 13 Investments in subsidiaries

	2018 £ 000	2017 £ 000
Investments in subsidiaries	<u>82,463</u>	<u>42,863</u>
<b>Subsidiaries</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 1 January 2018 and at 31 December 2017		42,863
Additions		<u>39,600</u>
At 31 December 2018		<u>82,463</u>
<b>Carrying amount</b>		
At 31 December 2018		<u>82,463</u>
At 31 December 2017		<u>42,863</u>

An impairment charge of £Nil (2017 - £Nil) was recognised in the current year.

#### Additions

During the year the Company acquired 100% of Abbott Medical UK Limited, following the restructuring due to Abbott's global purchase of St. Jude Medical. There were no other additions during the year.

#### Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Abbott Diabetes Care Limited	England and Wales	Ordinary	100%	100%
Murex Biotech Limited	England and Wales	Ordinary	100%	100%
Abbott Laboratories Trustee Company Limited	England and Wales	Ordinary	100%	100%
Abbott Medical UK Limited	England and Wales	Ordinary	100%	0%

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 13 Investments in subsidiaries (continued)

The principal activity of Abbott Diabetes Care Limited is healthcare.

The principal activity of Murex Biotech Limited is the provision of administrative services to group companies.

The principal activity of Abbott Laboratories Trustee Company Limited is acting as a pension trustee.

The principal activity of Abbott Medical UK Limited is healthcare.

#### 14 Stocks

	2018 £ 000	2017 £ 000
Finished goods and goods for resale	<u>12,520</u>	<u>9,602</u>

#### 15 Debtors

	2018 £ 000	2017 £ 000
Trade debtors	51,189	46,213
Amounts owed by group undertakings	36,705	155,069
Other debtors	28,205	18,087
Prepayments	<u>3,486</u>	<u>2,962</u>
Total current trade and other debtors	<u>119,585</u>	<u>222,331</u>

Trade debtors are stated after having made provisions against doubtful debts of £737,000 (2017 £611,000).

Amounts owed by group undertakings include trading balances of £5,641,000 (2017: £5,146,000) and loan balances of £31,064,000 (2017: £149,923,000). Loan balances owed by group undertakings are interest bearing, are unsecured and repayable on demand.

#### 16 Creditors

	2018 £ 000	2017 £ 000
<b>Due within one year</b>		
Trade creditors	19,704	17,362
Amounts due to group undertakings	18,085	129,480
Social security and other taxes	6,652	5,295
Accrued expenses	18,144	28,944
Corporation tax liability	<u>266</u>	<u>3,384</u>
	<u>62,851</u>	<u>184,465</u>

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 16 Creditors (continued)

Amounts due to group undertakings include trading balances of £18,085,000 (2017: £24,540,000) and loan balances of £Nil (2017: £104,940,000). Loan balances due to group undertakings are interest bearing, are unsecured and repayable on demand.

#### 17 Pension and other schemes

##### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,282,000 (2017 - £747,000).

##### Defined benefit pension schemes

##### Defined Benefit scheme

The Company participates in the Abbott Laboratories Pension Fund. This is a multi-employer defined benefit scheme for companies in the Abbott Laboratories group of companies, the assets and liabilities of which are held independently from the group.

The data provided for scheme assets and liabilities relates to the entire pension fund and does not relate to the share of each individual company that participates in the scheme. Contributions paid in the year relate to that portion of annual contributions due from the Company.

Guaranteed Minimum Pension ("GMP") is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 which confirmed that GMPs need to be equalised. The Court did not specify the method to use to equalise GMP but did set out a number of possible approaches. The present value of defined benefit obligations as at 31 December 2018 includes an allowance of 0.1% (£600,000) for the expected cost of equalising GMP between males and females. This has been included as a past service cost component of the 2018 pension cost and described as effect of curtailments.

The date of the most recent comprehensive actuarial valuation was 01 April 2016. The figures below are based on the latest full actuarial valuation as updated to the balance sheet date by a qualified actuary.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £7,600,000 (2017 - £8,700,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2017 - £Nil).

##### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the statement of financial position are as follows:

	2018 £ 000	2017 £ 000
Fair value of scheme assets	760,600	780,600
Present value of defined benefit obligation	(610,500)	(663,100)
Defined benefit pension scheme surplus	<u>150,100</u>	<u>117,500</u>

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 17 Pension and other schemes (continued)

##### *Defined benefit obligation*

Changes in the defined benefit obligation are as follows:

	<b>2018</b> <b>£ 000</b>
Present value at start of year	663,100
Current service cost	14,500
Interest cost	17,100
Actuarial gains	(65,100)
Benefits paid	(19,800)
Contributions by scheme participants	100
Plan Amendment	600
Present value at end of year	<u>610,500</u>

##### *Fair value of scheme assets*

Changes in the fair value of scheme assets are as follows:

	<b>2018</b> <b>£ 000</b>
Fair value at start of year	780,600
Interest income	20,200
Return on plan assets, excluding amounts included in interest income/(expense)	(30,700)
Employer contributions	11,400
Contributions by scheme participants	100
Benefits paid	(19,800)
Administration costs	(1,200)
Fair value at end of year	<u>760,600</u>

##### *Analysis of assets*

The major categories of scheme assets are as follows:

	<b>2018</b> <b>£ 000</b>	<b>2017</b> <b>£ 000</b>
Cash and cash equivalents	11,200	1,200
Equity instruments	370,600	442,900
Debt instruments	287,400	246,300
Property	35,600	33,500
Derivatives	55,800	56,700
	<u>760,600</u>	<u>780,600</u>



## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 17 Pension and other schemes (continued)

##### *Return on scheme assets*

	2018 £ 000	2017 £ 000
Return on scheme assets	<u>(10,500)</u>	<u>79,700</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

##### *Principal actuarial assumptions*

The principal actuarial assumptions at the statement of financial position date are as follows:

	2018 %	2017 %
Proportion of employees opting for early retirement	3.00	2.60
Discount rate	3.85	3.85
Future salary increases	3.05	3.05
Future pension increases	3.10	3.10
RPI Inflation	2.00	2.00
CPI Inflation	<u>2.00</u>	<u>2.00</u>

##### *Post retirement mortality assumptions*

	2018 Years	2017 Years
Current UK pensioners at retirement age - male	22.80	22.90
Current UK pensioners at retirement age - female	24.70	24.80
Future UK pensioners at retirement age - male	24.20	24.30
Future UK pensioners at retirement age - female	<u>26.30</u>	<u>26.30</u>

#### 18 Share capital

##### Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	106,842	106,842	76,144	76,144

During the year, the Company issued 30,698,000 new ordinary shares of £1 each for which consideration of £39,600,000 was received in the form of shares in Abbott Medical UK Ltd. The difference between the consideration and the nominal value of the shares issued, £8,902,000, has been recorded as share premium.

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 19 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Not later than one year	2,835	2,835
Later than one year and not later than five years	11,002	11,092
Later than five years	5,786	8,531
	<u>19,623</u>	<u>22,458</u>

#### 20 Share-based payments

##### Share Options

##### Scheme details and movements

The Company's ultimate parent company maintains an equity-settled share-based payment arrangement under which certain employees of the ultimate parent company's subsidiaries are awarded grants of share options. Options are granted at an exercise price equal to the market value of the shares on the day of grant. The options vest over three years beginning one year from the date of grant and have a maximum contractual term of 10 years. Share options are forfeited if the employee leaves the Company for reasons other than retirement, death or disability.

There were no outstanding options at 31st December 2018. In the current and prior year year no options were granted. The weighted average share values of options granted are measured using the Black-Sholes Option Pricing Model.

The movements in the number of share options during the year were as follows:

	2018 Number	2017 Number
Outstanding, start of period	600	18,033
Exercised during the period	(300)	(17,433)
Expired during the period	(300)	-
Outstanding, end of period	<u>-</u>	<u>600</u>
Exercisable, end of period	<u>-</u>	<u>600</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2018 US\$	2017 US\$
Outstanding, start of period	26.70	26.15
Exercised during the period	26.70	26.13
Expired during the period	28.86	-
Outstanding, end of period	<u>-</u>	<u>26.70</u>
Exercisable, end of period	<u>-</u>	<u>26.70</u>

## Abbott Laboratories Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 20 Share-based payments (continued)

##### Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £Nil (2017 - £Nil).

##### Restricted Stock Units

##### Scheme details and movements

The Company's ultimate parent company maintains an equity-settled share-based payment arrangement under which certain employees of the ultimate parents company's subsidiaries are awarded grants of restricted stock units. Restricted stock units vest over three years beginning one year from the date of grant. Restricted stock units are forfeited if the employee leaves the Company before the awards vest.

The movements in the number of restricted stock units during the year were as follows:

	2018 Number	2017 Number
Outstanding, start of period	157,142	156,444
Granted during the period	95,086	76,992
Forfeited during the period	(17,732)	(9,121)
Exercised during the period	(69,219)	(67,173)
Outstanding, end of period	<u>165,277</u>	<u>157,142</u>
Exercisable, end of period	<u>165,277</u>	<u>157,142</u>

The movements in the weighted average exercise price of restricted stock units during the year were as follows:

	2018 US\$	2017 US\$
Outstanding, start of period	42.41	40.42
Granted during the period	60.78	44.43
Forfeited during the period	58.15	42.69
Exercised during the period	60.20	38.89
Outstanding, end of period	<u>52.18</u>	<u>42.41</u>

##### Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £3,179,000 (2017 - £2,517,000).

##### Employee share scheme

##### Scheme details and movements

The Company operates a Share Incentive Plan for all employees. Employees purchase shares in the ultimate parent company at market value by means of a deduction from gross salary. The Company matches the employee purchase at a ratio of 1:1 subject to a limit of 1.75% of pensionable salary or £125 per month.

##### Effect of Employee Share Scheme payments on the profit or loss and financial position

The total expense recognised in profit or loss for the year was £350,000 (2017 - £316,000).

## **Abbott Laboratories Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **21 Commitments**

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £84,500 (2017 - £28,603).

#### **22 Parent and ultimate controlling party**

The company's immediate parent is Abbott (UK) Holdings Limited, incorporated in England and Wales.

The ultimate parent is Abbott Laboratories, incorporated in Illinois, USA.

The smallest and largest group into which the results of the company are consolidated is the ultimate parent entity Abbott Laboratories. These financial statements are available upon request from 100 Abbott Park Road, Abbott Park, Illinois 60064-6400, USA

#### **23 Post balance sheet events**

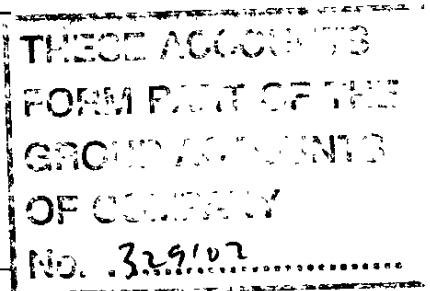
Associated with the St Jude Medical restructuring the Company transferred its Structural Heart and Vascular business to Abbott Medical UK Limited in January 2019. This transfer places business units in the most appropriate entity. The effect on the profit and loss had this transfer been made prior to January 2019 is shown in the profit and loss account with results of the Structural Heart and Vascular business transferred shown as discontinued operations. The transfer was made on a no loss no gain basis with consideration received in the form of additional shares issued by Abbott Medical UK Limited to the Company at a premium.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-K

(MARK ONE)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934



For the fiscal year ended December 31, 2018

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 ☒ No ☐

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

Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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 ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

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. ☐

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

Yes ☐ No ☒

The aggregate market value of the 1,710,210,374 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, 2018), was \$104,305,730,710. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2019: 1,756,470,269

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the 2019 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 15, 2019.

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## PART I

### ITEM 1. BUSINESS

#### GENERAL DEVELOPMENT OF BUSINESS

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

#### 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.

#### 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.

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; Tecten™ and Tecten™ 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 Klancid™), and Influvac™, an influenza vaccine.

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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 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 may increase 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 the Alinity® family of instruments, ARCHITECT®, ABBOTT PRISM®, and Cell-Dyn®, with assays used for screening and/or diagnosis for cancer, cardiac, metabolic, 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 in the areas of infectious disease, including respiratory illness such as influenza, HIV, and tropical diseases such as malaria and dengue fever, molecular point-of-care testing for HIV, including the m-PIMA™ HIV-1/2 Viral Load Test, and for influenza A & B, RSV and strep A, including the ID NOW™ rapid molecular system, cardiometabolic testing, including Afinion® and Cholestech™ platforms and tests; a toxicology business for drug and alcohol testing; and remote patient monitoring and consumer self-testing; and
- informatics and automation solutions for use in laboratories, including laboratory automation systems, 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 En Me! Li™, and Eleva™;
- adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure® Max Protein, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure SideKicks®, PediaSure® Peptide, EleCare®, Juven®, Abound®, Pedialyte® and Zone Perfect®, and
- nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxpea®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®.

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®, 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, 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 the TactiCath® family of ablation catheters and FlexAbility® irrigated ablation catheters; Ampere® RF ablation generator, and EnSite Precision® cardiac

mapping system, Confirm Rx<sup>®</sup> implantable cardiac monitor, and the Advisor<sup>®</sup> HD Gnd mapping catheter;

- heart failure related products, including the HeartMate<sup>™</sup> left ventricular device family and the CardioMEMS<sup>®</sup> HF System pulmonary artery sensor, a heart failure monitoring system;
- vascular products, including the XIENCET<sup>™</sup> family of drug-eluting coronary stent systems developed on the Multi-Link Vision<sup>®</sup> platform, StarClose SE<sup>®</sup> and Perclose ProGlide<sup>®</sup> vessel closure devices, TREK<sup>®</sup> coronary balloon dilatation products, Hi-Torque Balance Middleweight Universal II<sup>®</sup> guidewires, Supera<sup>®</sup> Peripheral Stent System, a peripheral vascular stent system, Acculink<sup>®</sup>/Accunet<sup>®</sup> and Xact<sup>®</sup> Emboshield NAV6<sup>®</sup>, carotid stent systems; and the OPTIS<sup>®</sup> integrated system with the Dragonfly OPTIS<sup>®</sup> imaging catheter and PressureWire<sup>®</sup> fractional flow reserve measurement systems;
- structural heart products, including MitraClip<sup>®</sup>, a percutaneous mitral valve repair system, Trifecta<sup>®</sup> Valve with Glide<sup>™</sup> Technology, a surgical tissue heart valve, Portico<sup>®</sup> transcatheter aortic heart valve, Regent<sup>™</sup> mechanical heart valve, and AMPLATZER<sup>®</sup> PFO occluders; and
- neuromodulation products, including spinal cord stimulators Proclaim<sup>™</sup> Elite Recharge-free IPG and Prodigy MRI<sup>®</sup> IPG, both with BurstDR<sup>®</sup> stimulation, and Proclaim<sup>®</sup> DRG IPG, a neurostimulation device designed for dorsal root ganglion therapy, for the treatment of chronic pain disorders, and the Infinity<sup>®</sup> 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 continuous glucose and blood glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle<sup>®</sup> brand such as the FreeStyle Libre<sup>®</sup> system. 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 4. These, and various patents which expire during the period 2019 to 2039, 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.

#### **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 2018 were not material and are not expected to be material in 2019.

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 103,000 people as of December 31, 2018.

#### **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 Administration, 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 and laboratories 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.

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 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 requires 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. In October 2018, the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act significantly expanded the types of healthcare providers for which reporting is required, beginning with reports filed in 2022. 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 took 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.

#### 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](http://www.abbottinvestor.com)) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission. These reports and other information are also available, free of charge, at [www.sec.gov](http://www.sec.gov).

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](http://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, medical device, or diagnostic product 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 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 has incurred and assumed significant indebtedness, which has increased consolidated interest expense and could decrease business flexibility.**

Abbott incurred and assumed significant indebtedness in connection with the 2017 acquisitions of St. Jude Medical and Alere. As of December 31, 2018, Abbott's consolidated indebtedness was approximately \$19.6 billion. This consolidated indebtedness increased Abbott's consolidated interest expense and could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, 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 maintains protected personal data, and a cyber attack or other breach affecting these information technology systems or protected data 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 also collects, manages and processes protected personal data, including protected health information, in connection with certain medical products and service offerings. For additional information concerning data privacy and security regulation, see the discussion in "Regulation" under Item 1, "Business." A breach of protected personal information could result in adverse consequences, including regulatory inquiries or litigation, increased costs and expenses, reputational damage, lost revenue, and fines or 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 companies, 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 2018 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 2018 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 12 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 2018 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, including tariffs, import or export licensing requirements, and changes to international trade agreements;
- 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, 2018, Abbott owned or leased properties totaling approximately 42 million square feet, of which approximately 70% is owned by Abbott. Abbott's principal corporate offices are located in Illinois and are owned by Abbott.

Abbott operates 94 manufacturing facilities globally. Abbott's facilities are deemed suitable and provide adequate productive capacity. The manufacturing facilities are used by Abbott's reportable segments as follows:

<u>Reportable Segments</u>	<u>Manufacturing Sites</u>
Cardiovascular and Neuromodulation Products	25
Diagnostic Products	23
Established Pharmaceutical Products	30
Nutritional Products	14
Non-Reportable	2
Worldwide Total	<u>94</u>

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. 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.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## 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 22, 2019, 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, 63**

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

Elected Corporate Officer — 1993.

### **Robert B. Ford, 45**

2018 to present — President and Chief Operating Officer.

2015 to 2018 — 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.

### **Hubert L. Allen, 53**

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

Elected Corporate Officer — 2012.

### **Brian J. Blaser, 54**

2012 to present — Executive Vice President, Diagnostics Products.

Elected Corporate Officer — 2008.

### **John M. Capek, 57**

2015 to present — Executive Vice President, Ventures.

2007 to 2015 — Executive Vice President, Medical Devices.

Elected Corporate Officer — 2006.

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**Stephen R. Fussell, 61**

2013 to present — Executive Vice President, Human Resources

Elected Corporate Officer — 1999

**Andrew H. Lane, 48**

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, 40**

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)

Elected Corporate Officer — 2014

**Brian B. Yoor, 49**

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

Elected Corporate Officer — 2013

**Roger M. Bird, 62**

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, 48**

2017 to present — Senior Vice President, Rapid Diagnostics

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

Elected Corporate Officer — 2013.



**Charles R. Brynelsen, 62**

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, 62**

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

Elected Corporate Officer — 2003

**Robert E. Funck, 57**

2018 to present — Senior Vice President, Finance and Controller

2013 to 2018 — Vice President, Controller

Elected Corporate Officer — 2005

**Sammy Karam, 57**

2019 to present — Senior Vice President, Established Pharmaceuticals, Emerging Markets

2014 to 2019 — Divisional Vice President, Global Marketing Commercial Execution, Established Pharmaceuticals

2010 to 2014 — Regional Director Southern Europe, Russia, Ukraine, CIS, Australia and New Zealand, Omega Pharma NV (a Belgian healthcare products company).

Elected Corporate Officer — 2019

**Joseph Manning, 50**

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, 57**

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.

**Jared L. Watkin, 51**

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, 44**

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

## 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 under the symbol "ABT." 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.

#### Shareholders

There were 42,827 shareholders of record of Abbott common shares as of December 31, 2018.

#### 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, 2018.

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, 2018 — October 31, 2018	0(1)	—	0	\$ 925,131,209(2)
November 1, 2018 — November 30, 2018	13,140(1)	\$ 68.580	0	\$ 925,131,209(2)
December 1, 2018 — December 31, 2018	1,886,483(1)	\$ 68.856	1,886,483	\$ 795,235,049(2)
Total	1,899,623(1)	\$ 68.854	1,886,483	\$ 795,235,049(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 — 0 in October, 812 in November, and 0 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, 12,328 in November, and 0 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				
	2018	2017	2016	2015	2014
Net sales (1)	\$ 30,578	\$ 27,390	\$ 20,853	\$ 20,405	\$ 20,247
Earnings from continuing operations (1)	2,334	353	1,063	2,606	1,721
Net earnings	2,368	477	1,400	4,423	2,284
Basic earnings per common share from continuing operations					
(1)	1.32	0.20	0.71	1.73	1.13
Basic earnings per common share	1.34	0.27	0.94	2.94	1.50
Diluted earnings per common share from continuing operations					
(1)	1.31	0.20	0.71	1.72	1.12
Diluted earnings per common share	1.33	0.27	0.94	2.92	1.49
Total assets	67,173	76,250	52,666	41,247	41,207
Long-term debt, including current portion	19,366	27,718	20,684	5,874	3,448
Cash dividends declared per common share	1.16	1.075	1.045	0.98	0.90

(1) Amounts reflect Abbott's developed markets branded genomics 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 cardiovascular and neuromodulation products, diagnostic testing products, nutritional products and branded generic pharmaceuticals. Sales in international markets comprise approximately 65 percent of consolidated net sales.

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

- In January 2017, Abbott acquired St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately \$23.6 billion, 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, Abbott assumed, repaid or refinanced approximately \$5.9 billion of St. Jude Medical's debt. The acquisition provided expanded opportunities for future growth and is an important part of the company's effort to develop a strong, diverse portfolio. The combined business competes in nearly every area of the \$30 billion global cardiovascular device market, as well as in neuromodulation which treats chronic pain and movement disorders.
- In October 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 also tendered for Alere's preferred shares for a total value of approximately \$0.7 billion and assumed and subsequently repaid approximately \$3.0 billion of Alere's debt. The acquisition established Abbott as a leader in point of care testing, expanded Abbott's global diagnostics presence and provided access to new products, channels and geographies.
- In February 2017, Abbott completed the sale of Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for \$4.325 billion in cash and recognized an after-tax gain of \$728 million. The 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.

The sales increase over the last three years reflects both the 2017 acquisitions of St. Jude Medical and Alere and volume growth across Abbott's businesses, most notably in the Established Pharmaceuticals, Diabetes Care and Diagnostics businesses. Volume growth reflects the introduction of new products as well as higher sales of existing products. 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 versus 2016. Sales in emerging markets, which represent approximately 40 percent of total company sales, increased 12.3 percent in 2018 and 13.9 percent in 2017, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.)

Over the last three years, Abbott's operating margin was positively impacted by margin improvements across various businesses, including Established Pharmaceuticals, Core Laboratory, and Diabetes Care, partially offset by higher amortization and other costs associated with the acquisitions. In 2018, Abbott's operating margin increased by approximately 6 percentage points primarily due to operating margin improvement in various businesses and lower inventory step-up amortization and integration costs associated with the acquisitions, partially offset by higher intangible amortization. In 2017, Abbott's

operating margin decreased by approximately 9 percentage 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 in various businesses

Since the beginning of the first quarter of 2017, the results of Abbott's Cardiovascular and Neuromodulation Products segment include 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 4.9 percent in 2018 and 207.4 percent in 2017. The sales increase in 2018 was driven primarily by higher Structural Heart, Electrophysiology, and Neuromodulation sales. 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 Abbott's vascular business.

In 2018, operating earnings for this segment increased 9.9 percent. The operating margin profile declined from 35.8 percent of sales in 2016 to 31.7 percent in 2018 primarily due to the mix of business resulting from the acquisition of St. Jude Medical and ongoing pricing pressures in the coronary business. Cost improvement initiatives contributed to an improvement in the operating margin profile from 30.5 percent in 2017 to 31.7 percent in 2018.

In 2018, the Cardiovascular and Neuromodulation Products segment received approval or clearance from the U.S. Food and Drug Administration (FDA) for the following products:

- the Advisor® HD Grid Mapping Catheter, Sensor Enabled™, which creates highly detailed maps of the heart and expands Abbott's electrophysiology product portfolio,
- the next-generation version of Abbott's leading MitraClip® heart valve repair device,
- the HeartMate 3® Left Ventricular Assist Device (LVAD) as a destination (long-term use) therapy, and
- the XIENCE Sierra® Drug Eluting Stent System, which is the next generation of its drug-eluting coronary stent system. The XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected the acquisition of Alere in October 2017, as well as continued market penetration by the core laboratory business in the U.S. and internationally. Alere's results are included in Abbott's Diagnostic Products reportable segment from the date of acquisition. Worldwide diagnostic sales increased 33.6 percent in 2018 and 16.7 percent in 2017, excluding the impact of foreign exchange. Excluding the impact of the Alere acquisition, as well as the impact of foreign exchange, sales in the Diagnostic Products segment increased 6.5 percent in 2018 and 5.5 percent in 2017. This growth includes the continued roll-out of Alinity®, which is Abbott's integrated family of next-generation diagnostic systems and solutions that are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results. Abbott has regulatory approvals in the U.S., Europe, China, and other markets for the "Alinity c" and "Alinity i" instruments for clinical chemistry and immunoassay diagnostics, respectively. In 2018, Abbott accelerated the launch of Alinity in Europe and other international markets after a broad range of assays obtained regulatory approval and were added to the test menu. Abbott also continued the roll-out of "Alinity s" for blood and plasma screening.

Margin improvement continued to be a key focus for the Diagnostics business in 2018 and 2017. While operating margins of 24.9 percent of sales in 2018 have remained relatively unchanged from the 24.8 percent of sales reported in 2016, this reflects dilution to the operating margin profit from the

acquisition of Alere and the negative impact of foreign exchange, offset by the continued execution of efficiency initiatives in the manufacturing and supply chain functions

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

In 2017, the nutritional business experienced growth in the U.S. driven by above-market performance in Abbott's infant and toddler brands. Internationally, 2017 sales growth in China and India was 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 inflation on commodity costs. The decrease in operating margins for this business from 24.1 percent of sales in 2016 to 22.9 percent in 2018 was primarily due to negative impact of foreign exchange.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets. Excluding the impact of foreign exchange, Established Pharmaceutical sales increased 7.0 percent in 2018 and 9.5 percent in 2017. The sales increase in 2018 was driven by double-digit growth in India and China. The sales increase in 2017 was primarily driven by double-digit growth in China and various countries in Latin America. Operating margins increased from 18.7 percent of sales in 2016 to 20.2 percent in 2018 primarily due to the continued focus on cost reduction initiatives.

In its diabetes business, Abbott received U.S. FDA approval for its FreeStyle Libre® 14 day sensor, making it the longest lasting wearable glucose sensor available. The FreeStyle Libre system is the only continuous glucose monitoring system that does not require any user calibration.

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

Abbott declared dividends of \$1.16 per share in 2018 compared to \$1.075 per share in 2017, an increase of approximately 8 percent. Dividends paid totaled \$1.974 billion in 2018 compared to \$1.849 billion in 2017. The year-over-year change in the amount of dividends paid reflects the increase in the dividend rate. In December 2018, Abbott increased the company's quarterly dividend by approximately 14 percent to \$0.32 per share from \$0.28 per share, effective with the dividend paid in February 2019.

In 2019, Abbott will focus on continuing to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years. In its diagnostics business, Abbott will continue to focus on driving market adoption and geographic expansion of its Alinity suite of diagnostics instruments. In the cardiovascular and neuromodulation business, Abbott will continue to focus on expanding its market position in various areas including electrophysiology, heart failure, and structural heart. In its nutritional business, Abbott will continue to focus on driving growth globally and further enhancing its portfolio with the introduction of several new science-based products. In the established pharmaceuticals business, Abbott will continue to focus on growing its business with the depth and breadth.

of its portfolio in emerging markets. In its diabetes care business, Abbott will focus on driving continued market adoption of its FreeStyle Libre continuous glucose monitoring system.

#### Critical Accounting Policies

**Sales Rebates** — In 2018, approximately 45 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2018 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 2018, 2017 and 2016 amounted to approximately \$3.0 billion, \$2.8 billion and \$2.5 billion, respectively, or 19.0 percent, 20.5 percent and 22.9 percent of gross sales, respectively, based on gross sales of approximately \$16.0 billion, \$13.9 billion and \$10.7 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 \$160 million in 2018. 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 \$175 million, \$166 million and \$160 million for cash discounts in 2018, 2017 and 2016, respectively, and \$191 million, \$204 million and \$242 million for returns in 2018, 2017 and 2016, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the accruals. In the WIC business, estimates are required for the amount of WIC sales within each state where Abbott holds the WIC contract. The state where the sale is made, which is the determining factor for the applicable rebated price, is reliably determinable. Rebated prices are based on contractually obligated agreements generally lasting a period of two to four years. Except for a change in contract price or a transition period before or after a change in the supplier for the WIC business in a state, accruals are based on historical redemption rates and data from the U.S. Department of Agriculture (USDA) and the states submitting rebate claims. The USDA, which administers the WIC program, has been making its data available for many years. Management also estimates the states' processing lag time based on sales and claims data. Inventory in the retail distribution channel does not vary substantially. Management has access to several large customers' inventory management data, which allows management to make reliable estimates of inventory in the retail distribution channel. At December 31, 2018, Abbott had WIC business in 27 states.

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



*Income Taxes* — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2014 and the former St. Jude Medical consolidated group which are settled through 2013. Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable.

*Pension and Post-Employment Benefits* — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2018, 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 \$3.3 billion and \$198 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 14 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, 2018, goodwill amounted to \$23.3 billion and net intangibles amounted to \$18.9 billion. Amortization expense in continuing operations for intangible assets amounted to \$2.2 billion in 2018, \$2.0 billion in 2017 and \$550 million in 2016. There was no significant reduction of goodwill relating to impairments in 2018, 2017 and 2016.

*Litigation* — Abbott accounts for litigation losses in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately \$125 million to \$165 million for its legal proceedings and environmental exposures. Accruals of approximately \$145 million have been recorded at December 31, 2018 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

## Results of Operations

### Sales

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

		Components of % Change			
	Total % Change	Business Acquisitions/ Divestitures	Price	Volume	Exchange
Total Net Sales					
2018 vs. 2017	11.6	4.9	(1.0)	8.1	(0.4)
2017 vs. 2016	31.3	26.5	(0.6)	5.1	0.3
Total U.S.					
2018 vs. 2017	12.1	8.0	(1.1)	5.2	—
2017 vs. 2016	49.1	46.9	(0.9)	3.1	—
Total International					
2018 vs. 2017	11.4	3.2	(1.0)	9.7	(0.5)
2017 vs. 2016	23.3	17.3	(0.4)	6.0	0.4
Established Pharmaceutical Products Segment					
2018 vs. 2017	3.2	—	2.2	4.8	(3.8)
2017 vs. 2016	11.1	—	2.3	7.2	1.6
Nutritional Products Segment					
2018 vs. 2017	4.4	—	0.2	4.7	(0.5)
2017 vs. 2016	0.4	—	0.3	0.3	(0.2)
Diagnostic Products Segment					
2018 vs. 2017	33.5	27.1	(2.0)	8.5	(0.1)
2017 vs. 2016	16.7	11.2	(1.1)	6.6	—
Cardiovascular and Neuromodulation Products Segment					
2018 vs. 2017	5.9	—	(2.8)	7.7	1.0
2017 vs. 2016	207.7	207.2	(4.3)	4.5	0.3

The increase in Total Net Sales in 2018 reflects the acquisition of Alere, as well as volume growth across all of Abbott's businesses. The increase in Total Net Sales in 2017 reflects the acquisitions of St. Jude Medical and Alere, as well as volume growth in the established pharmaceuticals and diagnostics businesses. The price declines related to the Cardiovascular and Neuromodulation Products segment in 2018 and 2017 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)	2018	Total Change	Impact of Exchange	Total Change Excl. Exchange
<b>Total Established Pharmaceuticals —</b>				
Key Emerging Markets	\$ 3,363	2%	(5)%	7%
Other	1,059	8	2	6
<b>Nutritionals —</b>				
International Pediatric Nutritionals	2,254	7	—	7
U.S. Pediatric Nutritionals	1,843	4	—	4
International Adult Nutritionals	1,900	7	(1)	8
U.S. Adult Nutritionals	1,232	(2)	—	(2)
<b>Diagnostics —</b>				
Core Laboratory	4,386	8	—	8
Molecular	484	5	1	4
Point of Care	553	—	—	—
Rapid Diagnostics	2,072	n/m	n/m	n/m
<b>Cardiovascular and Neuromodulation —</b>				
Rhythm Management	2,091	(1)	1	(2)
Electrophysiology	1,668	21	1	20
Heart Failure	646	—	—	—
Vascular	2,929	1	1	—
Structural Heart	1,239	14	1	13
Neuromodulation	864	7	—	7

(dollars in millions)	2017	Total Change	Impact of Exchange	Total Change Excl. Exchange
<b>Total Established Pharmaceuticals —</b>				
Key Emerging Markets	\$ 3,307	14%	2%	12%
Other	980	3	1	2
<b>Nutritionals —</b>				
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)
<b>Diagnostics —</b>				
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
<b>Cardiovascular and Neuromodulation —</b>				
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

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 7.0 percent in 2018 and 9.5 percent in 2017, 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 7.4 percent in 2018 and 11.9 percent in 2017. Excluding the impact of foreign exchange, 2018 sales in India and China and 2017 sales in 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 5.8 percent in 2018 and 2.2 percent in 2017. 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 in 2017.

Total Nutritional Products sales increased 4.9 percent in 2018 and 0.6 percent in 2017, excluding the unfavorable impact of foreign exchange. The increases in 2018 and 2017 U.S. Pediatric Nutritional sales primarily reflect continued above-market performance in Abbott's infant and toddler brands, including Similac and Pedialyte. 2018 International Pediatric Nutritional sales increased primarily due to growth in Asia and Latin America. The 2017 decrease in International Pediatric Nutritional 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 2018 sales increase in the International Adult Nutritional business was led by growth of Ensure, Abbott's market-leading complete and balanced nutrition brand, and Glucerna, Abbott's market-leading diabetes-specific nutrition brand in Asia and Latin America. U.S. Adult Nutritional business sales decreased in 2018 primarily driven by the wind down of a non-core product line. Excluding the unfavorable impact of foreign exchange, the 2017 increase in International Adult Nutritional sales was due primarily to growth in Ensure, 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.

Total Diagnostic Products sales increased 33.6 percent in 2018 and 16.7 percent in 2017, excluding the impact of foreign exchange. The sales increases in 2018 and 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 Diagnostic Products segment in 2018 and 2017 increased 6.5 and 5.5 percent, respectively. The 2018 increase in sales was primarily driven by above-market growth in Core Laboratory in the U.S. and internationally. In 2018, Abbott accelerated the roll out of its Alinity systems for Core Laboratory in Europe. The 2017 increase in sales was primarily driven by share gains in the Core Laboratory markets globally, as well as performance in Point of Care led by the continued adoption of Abbott's i-STAT® handheld system.

Excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 4.9 percent in 2018. The 2018 sales increase was driven by growth in several areas, including double-digit growth in Electrophysiology and Structural Heart.

The growth in Electrophysiology in 2018 was led by higher sales in cardiac mapping and ablation catheters, as well as the U.S. launch of Abbott's Confirm Rx® Insertable Cardiac Monitor (ICM), the world's first and only smartphone-compatible ICM designed to help physicians remotely identify cardiac arrhythmias. In May 2018, Abbott announced U.S. FDA clearance of the Advisor HD Grid Mapping Catheter, Sensor Enabled, which creates detailed maps of the heart and expands Abbott's electrophysiology product portfolio.

Growth in Structural Heart in 2018 was driven by several product areas including the MitraClip, Abbott's market-leading device for the minimally-invasive treatment of mitral regurgitation and the AMPLATZER® PFO occluder, a device designed to close a hole-like opening in the heart. In July 2018, Abbott announced U.S. FDA approval for a next-generation version of MitraClip. In September 2018, Abbott announced positive clinical results from its COAPT study, which demonstrated that MitraClip.

improved survival and clinical outcomes for select patients with functional mitral regurgitation. In the fourth quarter of 2018, the COAPT study data was submitted to the U.S. FDA to request approval of an expanded indication for MitraClip.

The growth in Neuromodulation in 2018 reflects higher revenue for various products for the treatment of chronic pain and movement disorders.

In Vascular, growth in imaging, vessel closure and other endovascular revenues in 2018 was partially offset by lower DES sales due to lower U.S. market share and price erosion in various markets. During the second quarter of 2018, Abbott received approval from the U.S. FDA for the XIENCE Sierra Drug Eluting Stent System, the newest generation of its coronary stent system. During the second quarter of 2018, the XIENCE Sierra Drug Eluting Stent System also received national reimbursement in Japan to treat people with coronary artery disease. In Rhythm Management, market share gains in the new patient segment were offset by replacement cycle dynamics. In Heart Failure, international sales growth was offset by lower U.S. sales. In October 2018, the HeartMate 3 Left Ventricular Assist Device (LVAD) received U.S. FDA approval as a destination therapy for people living with advanced heart failure.

In 2017, excluding the effect of foreign exchange, total Cardiovascular and Neuromodulation Products sales grew 207.4 percent. The increase in sales 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.

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 2018, 2017 and 2016.

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

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

#### **Operating Earnings**

Gross profit margins were 51.3 percent of net sales in 2018, 47.5 percent in 2017 and 53.8 percent in 2016. In 2018, the increase primarily reflects lower inventory step-up amortization related to the St. Jude Medical and Alere acquisitions and margin improvements in various businesses, partially offset by higher intangible amortization expense. 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.

Research and development expense was \$2.3 billion in 2018, \$2.3 billion in 2017, and \$1.4 billion in 2016 and represented a 1.7 percent increase in 2018, and a 56.2 percent increase in 2017. The 2018 increase in research and development expenses was primarily due to higher spending on various projects, partially offset by lower restructuring and integration costs. The 2017 increase in research and development expenses was primarily due to the acquisition of the St. Jude Medical business. In 2018, research and development expenditures totaled \$1.0 billion for the Cardiovascular and Neuromodulation Products.

segment, \$585 million for the Diagnostic Products segment, \$198 million for the Nutritional Products segment and \$184 million for the Established Pharmaceutical Products segment

Selling, general and administrative expenses increased 6.1 percent in 2018 and 36.3 percent in 2017 versus the respective prior year. The 2018 increase was primarily due to the impact of the acquisition of the Alere business in October 2017, as well as higher spending to drive continued growth and market expansion in various businesses, partially offset by lower acquisition-related expenses. 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.

#### 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 reflected 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	<u>\$ 23.6</u>

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 for approximately \$1.2 billion. The sale included the St. Jude Medical Angio-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

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

The final allocation of the fair value of the Alere acquisition is shown in the table below:

(In billions)	
Acquired intangible assets, non-deductible	\$ 3.5
Goodwill, non-deductible	3.7
Acquired net tangible assets	1.0
Deferred income taxes recorded at acquisition	(0.4)
Net debt	(2.6)
Preferred stock	(0.7)
Total final allocation of fair value	<u>\$ 4.5</u>

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 approximate value of the acquired tangible assets consists of \$430 million of trade accounts receivable, \$425 million of inventory, \$225 million of other current assets, \$540 million of property and equipment, and \$210 million of other long-term assets. The approximate value of the acquired tangible liabilities consists of \$675 million of trade accounts payable and other current liabilities and \$145 million of other non-current liabilities.

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

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



## **Restructurings**

In 2017 and 2018, Abbott management approved restructuring plans as part of the integration of the acquisition of St. Jude Medical into the Cardiovascular and Neuromodulation Products segment and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded charges, including one-time employee termination benefits, of approximately \$52 million in 2018 and \$187 million in 2017. Approximately \$5 million in 2018 and 2017 are recorded in Cost of products sold, approximately \$10 million in 2018 is recorded in Research and development and approximately \$37 million in 2018 and \$182 million in 2017 in Selling, general and administrative expense.

From 2016 to 2018, 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 \$28 million in 2018, \$120 million in 2017 and \$32 million in 2016. Approximately \$10 million in 2018, \$7 million in 2017 and \$9 million in 2016 are recorded in Cost of products sold, approximately \$2 million in 2018, \$77 million in 2017 and \$5 million in 2016 are recorded in Research and development and approximately \$16 million in 2018, \$36 million in 2017 and \$18 million in 2016 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2017 and 2016 were recorded primarily for accelerated depreciation.

## **Interest Expense and Interest (Income)**

In 2018, interest expense decreased primarily due to the net repayment of \$8.3 billion of debt, partially offset by lower interest income due to lower cash balances. In 2017, interest expense increased primarily due to the \$15.1 billion of debt issued in November of 2016 related to the financing of the St. Jude Medical acquisition which closed on January 4, 2017. 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.

## **Debt Extinguishment Costs**

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

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

## **Other (Income) Expense, net**

Other (income) expense, net, for 2018, 2017 and 2016 includes approximately \$160 million of income in each year related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. These amounts are being reported in other (income) expense as a result of the adoption of the new accounting standard for recognizing pension cost. 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.

## Taxes on Earnings

The income tax rates on earnings from continuing operations were 18.8 percent in 2018, 84.2 percent in 2017 and 24.8 percent in 2016.

The Tax Cuts and Jobs Act (TCJA) was enacted in the U.S. on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott has completed its accounting for all of the enactment date income tax effects of the TCJA. If additional regulations issued by the U.S. Department of the Treasury after December 31, 2018 result in a change in judgment, the effect of such regulations will be accounted for in the period in which the regulations are finalized.

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

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of \$1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately \$2.89 billion for the transition tax, partially offset by a net benefit of approximately \$1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately \$10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded \$130 million of additional tax expense which increased the final tax expense related to the TCJA to \$1.59 billion. The \$130 million of additional tax expense reflects a \$120 million increase in the transition tax from \$2.89 billion to \$3.01 billion and a \$10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2018, the remaining balance of Abbott's transition tax obligation is approximately \$1.58 billion, which will be paid over the next eight years as allowed by the TCJA.

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

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 15 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

## Discontinued Operations

Earnings from discontinued operations, net of tax of \$34 million, \$124 million and \$321 million, in 2018, 2017 and 2016, respectively, were driven primarily by the recognition of net tax benefits as a result of the resolution of various tax positions pertaining to AbbVie's operations for years prior to the separation. On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business.

## Assets 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 and 2016, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were \$(18) million and \$30 million, respectively.

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 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 presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2018 and 2017, primarily relate to the businesses sold to Quidel.

The following is a summary of the assets held for disposition as of December 31, 2018 and 2017.

(in millions)	December 31, 2018	December 31, 2017
Trade Receivables, net	\$ 6	\$ 12
Total inventories	3	8
Current assets held for disposition	9	20
Net property and equipment	—	56
Intangible assets, net of amortization	—	18
Goodwill	17	102
Non-current assets held for disposition	17	176
Total assets held for disposition	\$ 26	\$ 196

## **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 European Union (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 premarket and postmarket 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 2019 and beyond, Abbott's significant areas of therapeutic focus will include the following:

**Established Pharmaceuticals** — Abbott focuses on building country-specific portfolios made up of high-quality medicines that meet the needs of people in emerging markets. Over the next several years, Abbott plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new off-patent and differentiated medicines. In addition, Abbott continues to expand existing

brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Crcon™, 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 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, including a focus on unmet medical need, 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) tests and "Alinity m", 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 and adult nutrition areas: gastro intestinal immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses, as well as qualitative factors, such as marketplace perceptions and impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2018 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully finish each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the risk of failure inherent in the development of medical device, diagnostic and pharmaceutical products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2019. 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, 2018, goodwill recorded as a result of business combinations totaled \$23.3 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

#### **Financial Condition**

##### **Cash Flow**

Net cash from operating activities amounted to \$6.3 billion, \$5.6 billion and \$3.2 billion in 2018, 2017 and 2016, respectively. The increase in Net cash from operating activities in 2018 was primarily due to higher segment operating earnings, continued improvements in working capital management, timing of pension contributions and lower acquisition-related expenses. The 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 income tax component of cash from operating activities in 2018 includes the non-cash impact of the \$120 million adjustment to the transition tax associated with the TCJA. The income tax component of operating cash flow in 2017 includes the non-cash impact of \$1.46 billion of net tax expense related to the estimated impact of the TCJA. The income tax component of operating cash flow in 2016 includes \$550 million of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years.

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, 2018, 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 \$114 million in 2018, \$645 million in 2017 and \$582 million in 2016 to defined benefit pension plans. Abbott expects pension funding of approximately \$380 million in 2019 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, 2018, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa1 by Moody's. Abbott expects to maintain an investment grade rating.

Abbott has readily available financial resources, including unused lines of credit that support commercial paper borrowing arrangements and provide Abbott with the ability to borrow up to \$5 billion on an unsecured basis. The lines of credit are part of a 2018 revolving credit agreement that expires in 2023. Abbott entered into this new revolving credit agreement and terminated the 2014 revolving credit agreement on November 30, 2018. There were no outstanding borrowings under the 2014 revolving credit agreement at the time of its termination. Any borrowings under the new revolving credit agreement will bear interest, at Abbott's option, based on either a base rate or Eurodollar rate, plus an applicable margin based on Abbott's credit ratings.

In conjunction with the funding of the St. Jude Medical and Alere acquisitions and the assumption of St. Jude Medical's and Alere's existing debt, Abbott's total short-term and long-term debt increased from approximately \$9.0 billion at December 31, 2015 to \$27.9 billion at December 31, 2017. The increase in debt included the following transactions in 2016 and 2017.

- 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. This facility has been terminated as further discussed below.
- 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 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. The \$15.2 billion component of the commitment for a bridge term loan facility 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 of the bridge term loan facility 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 the first quarter of 2017, as part of the acquisition of St. Jude Medical, approximately \$5.9 billion of St. Jude Medical's debt was assumed, repaid, or refinanced by Abbott. This included the exchange of certain St. Jude Medical debt obligations with an aggregate principal amount of approximately \$2.9 billion for approximately \$2.9 billion of debt issued by Abbott. Following this exchange, approximately \$194.2 million of existing St. Jude Medical notes remained outstanding. There were no significant costs associated with the exchange of this debt. In addition, during the first quarter of 2017, Abbott assumed and subsequently repaid approximately \$2.8 billion of various St. Jude Medical debt obligations.
- In 2017, Abbott borrowed \$2.8 billion on an unsecured basis under a 5-year term loan agreement and borrowed \$1.7 billion under its lines of credit. Proceeds from such borrowings were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. The borrowings bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Abbott paid off the term loan in January 2018, ahead of its 2022 due date and paid off \$550 million of the line of credit in the fourth quarter of 2017 and the remaining \$1.15 billion on January 5, 2018. In the fourth



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

- In 2017, Abbott also paid off a \$479 million yen-denominated short-term borrowing during the year and issued 364-day yen-denominated debt, of which \$199 million and \$195 million was outstanding at December 31, 2018 and 2017, respectively.

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

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

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

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

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

On January 25, 2019, Abbott notified the holders of its 2.80% Notes due 2020, that it will redeem the \$500 million outstanding principal amount of these notes on February 24, 2019. After the redemption of the 2.80% Notes, approximately \$700 million of the \$5 billion debt redemption authorized by Abbott's board of directors in 2018 will remain available.

In September 2014, the board of directors authorized the repurchase of up to \$3.0 billion of Abbott's common shares from time to time. Under the program authorized in 2014, Abbott repurchased 36.2 million shares at a cost of \$1.7 billion in 2015, 10.4 million shares at a cost of \$408 million in 2016 and 1.9 million shares at a cost of \$130 million in 2018 for a total of approximately \$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 \$1.16 per share in 2018 compared to \$1.075 per share in 2017, an increase of approximately 8 percent. Dividends paid were \$1.974 billion in 2018 compared to \$1.849 billion in 2017. The year-over-year change in dividends paid reflects the impact of the increase in the dividend rate.

#### **Working Capital**

Working capital was \$5.6 billion at December 31, 2018 and \$11.2 billion at December 31, 2017. The decrease in working capital in 2018 reflects the use of cash to repay long-term debt and dividends.

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. On February 17, 2016, the Venezuelan government announced that its three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO was the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate was 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. After the revaluation, Abbott's investment in its Venezuelan operations was not significant.

#### Capital Expenditures

Capital expenditures of \$1.4 billion in 2018, \$1.1 billion in 2017 and \$1.1 billion in 2016 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, 2018.

(dollars in millions)	Payments Due By Period				
	Total	2019	2020-2021	2022-2023	2024 and Thereafter
Long-term debt, including current maturities	\$ 19,626	\$ 7	\$ 4,658	\$ 3,105	\$ 11,856
Interest on debt obligations	10,237	668	1,312	1,102	7,155
Operating lease obligations	984	218	302	193	271
Capitalized auto lease obligations	41	14	27	—	—
Purchase commitments (a)	2,591	2,454	103	21	13
Other long-term liabilities (b)	3,492	—	1,288	884	1,320
Total (c)	<u>\$ 36,971</u>	<u>\$ 3,361</u>	<u>\$ 7,690</u>	<u>\$ 5,305</u>	<u>\$ 20,615</u>

- (a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.
- (b) Other long-term liabilities include estimated payments for the transition tax under the TCJA, net of applicable credits.
- (c) Net unrecognized tax benefits totaling approximately \$465 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 15 — 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 14 — 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 February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows companies to reclassify stranded tax effects resulting from the TCJA, from accumulated other comprehensive income (loss) to retained earnings (Earnings employed in the business). The standard would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to adopt the new standard at the beginning of the fourth quarter of 2018. As a result of the adoption of the new standard, approximately \$337 million of stranded tax effects were reclassified from Accumulated other comprehensive income (loss) to Earnings employed in the business.

In August 2017, the FASB issued 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 would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to early adopt ASU 2017-12 in the fourth quarter of 2018. The impact of adopting the standard is not significant to Abbott's Consolidated Balance Sheet and Consolidated Statement of Earnings.

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 continues 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 was adopted by Abbott beginning in the first quarter of 2018. The change in the presentation of the components of pension cost per year was applied retrospectively. As a result, approximately \$160 million of net pension-related income per year was moved from the operating lines of the Consolidated Statement of Earnings to non-operating income for 2017 and 2016.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and end-of-period total amounts shown on the statement of cash flows. Abbott adopted this standard beginning in the first quarter of 2018, and applied the guidance retrospectively to all periods presented. Abbott did not have any restricted cash balances in the periods presented except for \$75 million of restricted cash acquired as part of the Alere acquisition in October 2017. The restrictions on this cash were eliminated prior to the end of 2017.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. The ASU became effective for Abbott in the first quarter of 2018 and did not have a material impact to the Company's Consolidated Statement of Cash Flows.

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. Abbott completed a detailed review of its leases. Abbott will use the modified retrospective approach with the package of practical expedients which allows Abbott to carry forward the historical lease classification for existing or expired leases and to account for lease and non-lease components as a single lease component for its lessee arrangements. Abbott does not expect the new lease accounting standard to have a material impact on the amounts reported in the Consolidated Statement of Earnings. As a result of adopting ASU 2016-02, Abbott expects to record approximately \$800 million to \$900 million of right of use assets and lease liabilities for operating leases on the Consolidated Balance Sheet.

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach.

method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the Consolidated Balance Sheet of \$23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

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

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

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Financial Instruments and Risk Management**

##### **Market Price Sensitive Investments**

The fair value of equity securities held by Abbott with a readily determinable fair value was approximately \$13 million and \$11 million as of December 31, 2018 and 2017, respectively. These equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2018 by approximately \$3 million. Changes in the fair value of these securities are recorded in earnings. The fair value of investments in mutual funds that are held in a rabbi trust for the purpose of paying benefits under a deferred compensation plan was approximately \$307 million and \$363 million as of December 31, 2018 and 2017, respectively. Changes in the fair value of these investments are recorded in earnings.

##### **Non-Publicly Traded Equity Securities**

Abbott holds equity securities that are not traded on public stock exchanges. The carrying value of these investments was \$211 million and \$228 million as of December 31, 2018 and 2017, respectively. No individual investment is recorded at a value in excess of \$61 million. Abbott measures these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

##### **Interest Rate Sensitive Financial Instruments**

At December 31, 2018 and 2017, Abbott had interest rate hedge contracts totaling \$2.9 billion and \$4.0 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, 2018 and 2017 amounted to \$19.9 billion and \$29.0 billion, respectively (average interest rates of 3.5% and 3.6% as of December 31, 2018 and 2017, respectively) with maturities through 2046. At December 31, 2018 and 2017, the fair value of current and long-term investment securities amounted to approximately \$1.1 billion. 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, 2018 and 2017, Abbott held \$5.1 billion and \$3.3 billion, respectively, of such contracts. Contracts held at December 31, 2018 will mature in 2019 or 2020 depending upon the contract. Contracts held at December 31, 2017 matured in 2018 or will mature in 2019 depending upon the contract.

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2018 and 2017, Abbott held \$13.6 billion and \$20.1 billion, respectively, of such contracts, which mature in the next 24 months.

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, the value of this short-term debt was \$454 million, and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2018 and 2017:

(dollars in millions) Primarily U.S. Dollars to be exchanged for the following currencies:	2018			2017		
	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
Euro	\$ 11,630	1.1938	\$ 13	\$ 16,877	1.1861	\$ (24)
Chinese Yuan	1,592	6.9055	(10)	1,221	6.8128	(33)
Japanese Yen	1,079	108.2188	6	1,109	110.5370	15
All other currencies	4,388	n/a	10	4,230	n/a	(25)
Total	<u>\$ 18,689</u>		<u>\$ 19</u>	<u>\$ 23,437</u>		<u>\$ (67)</u>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**Abbott Laboratories and Subsidiaries**

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

	Year Ended December 31		
	2018	2017	2016
Net Sales	\$ 30,578	\$ 27,390	\$ 20,853
Cost of products sold, excluding amortization of intangible assets	12,706	12,409	9,094
Amortization of intangible assets	2,178	1,975	550
Research and development	2,300	2,260	1,447
Selling, general and administrative	9,744	9,182	6,736
Total Operating Cost and Expenses	26,928	25,826	17,827
Operating Earnings	3,650	1,564	3,026
Interest expense	826	904	431
Interest income	(105)	(124)	(99)
Net foreign exchange (gain) loss	28	(34)	495
Debt extinguishment costs	167	—	—
Other (income) expense, net	(139)	(1,413)	786
Earnings from Continuing Operations Before Taxes	2,873	2,231	1,413
Taxes on Earnings from Continuing Operations	539	1,878	350
Earnings from Continuing Operations	2,334	353	1,063
Earnings from Discontinued Operations, net of taxes	34	124	321
Gain on sale of Discontinued Operations, net of taxes	—	—	16
Net Earnings from Discontinued Operations, net of taxes	34	124	337
Net Earnings	\$ 2,368	\$ 477	\$ 1,400
Basic Earnings Per Common Share —			
Continuing Operations	\$ 1.32	\$ 0.20	\$ 0.71
Discontinued Operations	0.02	0.07	0.23
Net Earnings	\$ 1.34	\$ 0.27	\$ 0.94
Diluted Earnings Per Common Share —			
Continuing Operations	\$ 1.31	\$ 0.20	\$ 0.71
Discontinued Operations	0.02	0.07	0.23
Net Earnings	\$ 1.33	\$ 0.27	\$ 0.94
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,758	1,740	1,477
Dilutive Common Stock Options	12	9	6
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,770	1,749	1,483
Outstanding Common Stock Options Having No Dilutive Effect	—	—	5

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		
	2018	2017	2016
Net Earnings	<u>\$ 2,368</u>	<u>\$ 477</u>	<u>\$ 1,400</u>
Foreign currency translation gain (loss) adjustments	(1,460)	1,365	(130)
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 \$47 in 2018, \$(61) in 2017 and \$(125) in 2016	132	(243)	(326)
Unrealized gains (losses) on marketable equity securities, net of taxes of \$(76) in 2017 and \$(28) in 2016	—	64	(134)
Net gains (losses) on derivative instruments designated as cash flow hedges, net of taxes of \$50 in 2018, \$(43) in 2017 and \$(4) in 2016	136	(134)	(15)
Other Comprehensive Income (Loss)	<u>(1,192)</u>	<u>1,052</u>	<u>(605)</u>
Comprehensive Income	<u>\$ 1,176</u>	<u>\$ 1,529</u>	<u>\$ 795</u>
Supplemental Accumulated Other Comprehensive Income (Loss) Information, net of tax as of December 31			
Cumulative foreign currency translation (loss) adjustments	\$ (4,912)	\$ (3,452)	\$ (4,959)
Net actuarial (losses) and prior service (cost) and credits	(2,726)	(2,521)	(2,284)
Cumulative unrealized gains (losses) on marketable equity securities	—	(5)	(69)
Cumulative gains (losses) on derivative instruments designated as cash flow hedges	52	(84)	49
Accumulated other comprehensive income (loss)	<u>\$ (7,586)</u>	<u>\$ (6,062)</u>	<u>\$ (7,263)</u>

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		
	2018	2017	2016
Cash Flow From (Used in) Operating activities			
Net earnings	\$ 2,368	\$ 477	\$ 1,400
Adjustments to reconcile earnings to net cash from operating activities —			
Depreciation	1,100	1,046	803
Amortization of intangible assets	2,178	1,975	550
Share-based compensation	477	406	310
Impact of currency devaluation	—	—	480
Amortization of inventory step-up	32	907	—
Investing and financing losses, net	126	47	86
Loss on extinguishment of debt	167	—	—
Amortization of bridge financing fees	—	5	165
Gains on sale of businesses	—	(1,163)	(25)
Mylan N.V. equity investment adjustment	—	—	947
Gain on sale of Mylan N.V. shares	—	(45)	—
Trade receivables	(190)	(207)	(177)
Inventories	(514)	249	(98)
Prepaid expenses and other assets	23	109	113
Trade accounts payable and other liabilities	747	615	(652)
Income taxes	(214)	1,149	(699)
Net Cash From Operating Activities	6,300	5,570	3,203
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property and equipment	(1,394)	(1,135)	(1,121)
Acquisitions of businesses and technologies, net of cash acquired	—	(17,183)	(80)
Proceeds from business dispositions	48	6,042	25
Proceeds from the sale of Mylan N.V. shares	—	2,704	—
Purchases of investment securities	(131)	(210)	(2,823)
Proceeds from sales of investment securities	73	129	3,709
Other	48	35	42
Net Cash From (Used in) Investing Activities	(1,356)	(9,618)	(248)
Cash Flow From (Used in) Financing Activities:			
Proceeds from issuance of (repayments of) short-term debt and other	(26)	(1,034)	(1,767)
Proceeds from issuance of long-term debt and debt with maturities over 3 months	4,009	6,742	14,934
Repayments of long-term debt and debt with maturities over 3 months	(12,433)	(8,650)	(12)
Payment of bridge financing fees	—	—	(170)
Purchase of Alere preferred stock	—	(710)	—
Acquisition and contingent consideration payments related to business acquisitions	—	(13)	(25)
Purchases of common shares	(238)	(117)	(522)
Proceeds from stock options exercised	271	350	248
Dividends paid	(1,974)	(1,849)	(1,539)
Net Cash From (Used in) Financing Activities	(10,391)	(5,281)	11,147
Effect of exchange rate changes on cash and cash equivalents	(116)	116	(483)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,563)	(9,213)	13,619
Cash and Cash Equivalents, Beginning of Year	9,407	18,620	5,001
Cash and Cash Equivalents, End of Year	\$ 3,844	\$ 9,407	\$ 18,620
Supplemental Cash Flow Information:			
Income taxes paid	\$ 740	\$ 570	\$ 620
Interest paid	845	917	181

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

**Abbott Laboratories and Subsidiaries**

**Consolidated Balance Sheet**  
(dollars in millions)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 3,844	\$ 9,407
Investments, primarily bank time deposits and U.S. treasury bills	242	203
Trade receivables, less allowances of — 2018: \$314; 2017: \$294	5,182	5,249
Inventories:		
Finished products	2,407	2,339
Work in process	499	472
Materials	890	790
Total inventories	3,796	3,601
Other prepaid expenses and receivables	1,559	1,667
Current assets held for disposition	9	20
<b>Total Current Assets</b>	<b>14,632</b>	<b>20,137</b>
Investments	897	883
Property and Equipment, at Cost:		
Land	501	526
Buildings	3,553	3,613
Equipment	10,756	10,394
Construction in progress	894	732
	15,706	15,265
Less: accumulated depreciation and amortization	8,143	7,658
Net Property and Equipment	7,563	7,607
Intangible Assets, net of amortization	18,942	21,473
Goodwill	23,254	24,020
Deferred Income Taxes and Other Assets	1,868	1,944
Non-current Assets Held for Disposition	17	176
	<b>\$ 67,173</b>	<b>\$ 76,250</b>

**Abbott Laboratories and Subsidiaries**

**Consolidated Balance Sheet**  
(dollars in millions)

	December 31	
	2018	2017
Liabilities and Shareholders' Investment		
Current Liabilities		
Short-term borrowings	\$ 200	\$ 206
Trade accounts payable	2,975	2,402
Salaries, wages and commissions	1,182	1,187
Other accrued liabilities	3,780	3,811
Dividends payable	563	489
Income taxes payable	305	309
Current portion of long-term debt	7	508
Total Current Liabilities	<u>9,012</u>	<u>8,912</u>
Long-term Debt	19,359	27,210
Post-employment obligations and other long-term liabilities	8,080	9,030
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 2018 1,971,189,465, 2017 1,965,908,188	23,512	23,206
Common shares held in treasury, at cost — Shares: 2018: 215,570,043; 2017: 222,305,719	(9,962)	(10,225)
Earnings employed in the business	24,560	23,978
Accumulated other comprehensive income (loss)	<u>(7,586)</u>	<u>(6,062)</u>
Total Abbott Shareholders' Investment	30,524	30,897
Noncontrolling Interests in Subsidiaries	198	201
Total Shareholders' Investment	<u>30,722</u>	<u>31,098</u>
	<u>\$ 67,173</u>	<u>\$ 76,250</u>

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		
	2018	2017	2016
<b>Common Shares:</b>			
<i>Beginning of Year</i>			
Shares: 2018: 1,965,908,188; 2017: 1,707,475,455; 2016: 1,702,017,390	\$ 23,206	\$ 13,027	\$ 12,734
Issued under incentive stock programs			
Shares: 2018: 5,281,277; 2017: 8,834,924; 2016: 5,458,065	163	242	222
Issued for St. Jude Medical acquisition			
Shares: 2017: 249,597,809	—	9,835	—
Share-based compensation	479	406	311
Issuance of restricted stock awards	(336)	(304)	(240)
<i>End of Year</i>			
Shares: 2018: 1,971,189,465; 2017: 1,965,908,188; 2016: 1,707,475,455	<u>\$ 23,512</u>	<u>\$ 23,206</u>	<u>\$ 13,027</u>
<b>Common Shares Held in Treasury:</b>			
<i>Beginning of Year</i>			
Shares: 2018: 222,305,719; 2017: 234,606,250; 2016: 229,352,338	\$ (10,225)	\$ (10,791)	\$ (10,622)
Issued under incentive stock programs			
Shares: 2018: 8,870,735; 2017: 8,696,320; 2016: 5,398,469	408	400	250
Issued for St. Jude Medical acquisition			
Shares: 2017: 3,906,848	—	180	—
Purchased			
Shares: 2018: 2,135,059; 2017: 302,637; 2016: 10,652,381	(145)	(14)	(419)
<i>End of Year</i>			
Shares: 2018: 215,570,043; 2017: 222,305,719; 2016: 234,606,250	<u>\$ (9,962)</u>	<u>\$ (10,225)</u>	<u>\$ (10,791)</u>
<b>Earnings Employed in the Business:</b>			
<i>Beginning of Year</i>	\$ 23,978	\$ 25,565	\$ 25,757
Net earnings	2,368	477	1,400
Cash dividends declared on common shares (per share — 2018: \$1.16; 2017: \$1.075; 2016: \$1.045)	(2,047)	(1,947)	(1,547)
Effect of common and treasury share transactions	(90)	(117)	(45)
Impact of adoption of new accounting standards	351	—	—
<i>End of Year</i>	<u>\$ 24,560</u>	<u>\$ 23,978</u>	<u>\$ 25,565</u>
<b>Accumulated Other Comprehensive Income (Loss):</b>			
<i>Beginning of Year</i>	\$ (6,062)	\$ (7,263)	\$ (6,658)
Business dispositions / separation	—	149	—
Other comprehensive income (loss)	(1,192)	1,052	(605)
Impact of adoption of new accounting standards	(332)	—	—
<i>End of Year</i>	<u>\$ (7,586)</u>	<u>\$ (6,062)</u>	<u>\$ (7,263)</u>
<b>Noncontrolling Interest in Subsidiaries:</b>			
<i>Beginning of Year</i>	\$ 201	\$ 179	\$ 115
Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	(3)	22	64
<i>End of Year</i>	<u>\$ 198</u>	<u>\$ 201</u>	<u>\$ 179</u>

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

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

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

**EARNINGS PER SHARE** — Unvested restricted stock units and awards that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 — Summary of Significant Accounting Policies (Continued)

common shares and participating securities. Earnings from Continuing Operations allocated to common shares in 2018, 2017 and 2016 were \$2.320 billion, \$346 million and \$1.057 billion, respectively. Net earnings allocated to common shares in 2018, 2017 and 2016 were \$2.353 billion, \$468 million and \$1.393 billion, respectively.

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

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

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

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 2018 and 2017 was \$90 million and \$120 million, respectively. The standard did 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 2016 Consolidated Statement of Cash Flows.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 1 — Summary of Significant Accounting Policies (Continued)

**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 \$325 million that are accounted for under the equity method of accounting. Investments held in a rabbi trust and investments in publicly traded equity securities are recorded at fair value and changes in fair value are recorded in earnings. Investments in equity securities that are not traded on public stock exchanges are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as interest income.

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

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

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

Classification	Estimated Useful Lives
Buildings	10 to 50 years (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



**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 1 — Summary of Significant Accounting Policies (Continued)**

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

**Note 2 — New Accounting Standards**

*Recently Adopted Accounting Standards*

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

In August 2017, the FASB issued 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 would have become effective for Abbott beginning in the first quarter of 2019, with early adoption permitted. Abbott elected to early adopt ASU 2017-12 in the fourth quarter of 2018. The impact of adopting the standard is not significant to Abbott's Consolidated Balance Sheet and Consolidated Statement of Earnings.

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 continues 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 was adopted by Abbott beginning in the first quarter of 2018. The change in the presentation of the components of pension cost per year was applied retrospectively. As a

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2 — New Accounting Standards (Continued)

result, approximately \$160 million of net pension-related income per year was moved from the operating lines of the Consolidated Statement of Earnings to non-operating income for 2017 and 2016.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and end-of-period total amounts shown on the statement of cash flows. Abbott adopted this standard beginning in the first quarter of 2018, and applied the guidance retrospectively to all periods presented. Abbott did not have any restricted cash balances in the periods presented except for \$75 million of restricted cash acquired as part of the Alere Inc. (Alere) acquisition in October 2017. The restrictions on this cash were eliminated prior to the end of 2017.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. The ASU became effective for Abbott in the first quarter of 2018 and did not have a material impact to the Company's Consolidated Statement of Cash Flows.

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of the ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Abbott adopted the new standard as of January 1, 2018, using the modified retrospective approach method. Under this method, entities recognize the cumulative effect of applying the new standard at the date of initial application with no restatement of comparative periods presented. The cumulative effect of applying the new standard resulted in an increase to Earnings employed in the business in the

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 2 — New Accounting Standards (Continued)**

Consolidated Balance Sheet of \$23 million which was recorded on January 1, 2018. The new standard has been applied only to those contracts that were not completed as of January 1, 2018. The impact of adopting ASU 2014-09 was not significant to individual financial statement line items in the Consolidated Balance Sheet and Consolidated Statement of Earnings.

*Recent Accounting Standards Not Yet Adopted*

In 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. Abbott completed a detailed review of its leases. Abbott will use the modified retrospective approach with the package of practical expedients which allows Abbott to carry forward the historical lease classification for leases existing at, or entered into after the beginning of the period of adoption and to account for lease and non-lease components as a single lease component for its lessee arrangements. Abbott does not expect the new lease accounting standard to have a material impact on the amounts reported in the Consolidated Statement of Earnings. As a result of adopting ASU 2016-02, Abbott expects to record approximately \$800 million to \$900 million of right of use assets and lease liabilities for operating leases on the Consolidated Balance Sheet.

**Note 3 — Revenue**

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

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 3 — Revenue (Continued)**

The following tables provide detail by sales category:

(in millions)	2018			2017		
	U.S.	Int'l	Total	U.S.	Int'l	Total
<b>Established Pharmaceutical Products —</b>						
Key Emerging Markets	\$ —	\$ 3,363	\$ 3,363	\$ —	\$ 3,307	\$ 3,307
Other	—	1,059	1,059	—	980	980
Total	—	4,422	4,422	—	4,287	4,287
<b>Nutritionals —</b>						
Pediatric Nutritionals	1,843	2,254	4,097	1,777	2,112	3,889
Adult Nutritionals	1,232	1,900	3,132	1,254	1,782	3,036
Total	3,075	4,154	7,229	3,031	3,894	6,925
<b>Diagnostics —</b>						
Core Laboratory	985	3,401	4,386	921	3,142	4,063
Molecular	152	332	484	160	303	463
Point of Care	432	121	553	440	110	550
Rapid Diagnostics	1,148	924	2,072	296	244	540
Total	2,717	4,778	7,495	1,817	3,799	5,616
<b>Cardiovascular and Neuromodulation —</b>						
Rhythm Management	1,019	1,072	2,091	1,030	1,073	2,103
Electrophysiology	764	904	1,668	609	773	1,382
Heart Failure	467	179	646	491	152	643
Vascular	1,126	1,803	2,929	1,180	1,712	2,892
Structural Heart	488	751	1,239	432	651	1,083
Neuromodulation	690	174	864	636	172	808
Total	4,554	4,883	9,437	4,378	4,533	8,911
<b>Other</b>	<b>493</b>	<b>1,502</b>	<b>1,995</b>	<b>447</b>	<b>1,204</b>	<b>1,651</b>
<b>Total</b>	<b>\$ 10,839</b>	<b>\$ 19,739</b>	<b>\$ 30,578</b>	<b>\$ 9,673</b>	<b>\$ 17,717</b>	<b>\$ 27,390</b>

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

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

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 3 — Revenue (Continued)**

provides rebates to government agencies, wholesalers, group purchasing organizations and other private entities

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

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

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

*Remaining Performance Obligations*

As of December 31, 2018, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) was approximately \$2.9 billion in the Diagnostic Products segment and approximately \$410 million in the Cardiovascular and Neuromodulation Products segment. Abbott expects to recognize revenue on approximately 60 percent of these remaining performance obligations over the next 24 months, approximately 16 percent over the subsequent 12 months and the remainder thereafter.

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

*Assets Recognized for Costs to Obtain a Contract with a Customer*

Abbott has applied the practical expedient in ASC 340-40-25-4 and records as an expense the incremental costs of obtaining contracts with customers in the period of occurrence when the amortization period of the asset that Abbott otherwise would have recognized is one year or less. Upfront commission fees paid to sales personnel as a result of obtaining or renewing contracts with customers are incremental.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 3 — Revenue (Continued)**

to obtaining the contract. Abbott capitalizes these amounts as contract costs. Capitalized commission fees are amortized based on the contract duration to which the assets relate which ranges from two to ten years. The amounts as of December 31, 2018, were not significant.

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

*Other Contract Assets and Liabilities*

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

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

(In millions)	
<b>Contract Liabilities</b>	
Balance at January 1, 2018	\$ 198
Unearned revenue from cash received during the period	304
Revenue recognized that was included in contract liability balance at beginning of period	(243)
Balance at December 31, 2018	<u>\$ 259</u>

**Note 4 — Discontinued Operations and Assets Held for Disposition**

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 percent) of a newly formed entity (Mylan NV) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business.

In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. In 2015, Abbott recorded a pretax gain of \$207 million on \$2.29 billion in net proceeds from the sale of these shares. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received \$2.704 billion in proceeds. Abbott recorded a \$45 million gain from the sale of these ordinary shares in 2017, which was recognized in the Other (income) expense, net line of the Consolidated Statement of Earnings. Abbott no longer has an ownership interest in Mylan N.V.

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.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 4 — Discontinued Operations and Assets Held for Disposition (Continued)**

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.

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 net earnings of discontinued operations include income tax benefits of \$39 million in 2018, \$109 million in 2017 and \$325 million in 2016. These tax benefits primarily relate to the resolution of various tax positions related to AbbVie's operations for years prior to the separation.

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 and 2016, the AMO earnings (losses) before taxes included in Abbott's consolidated earnings were \$(18) million and \$30 million, respectively.

As discussed in Note 7 — Business Acquisitions, 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 Corporation (Quidel). The legal transfer of certain assets 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 presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2018 and 2017, primarily relate to the businesses sold to Quidel.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 4 — Discontinued Operations and Assets Held for Disposition (Continued)**

The following is a summary of the assets held for disposition as of December 31, 2018 and 2017

(in millions)	December 31, 2018	December 31, 2017
Trade receivables, net	\$ 6	\$ 12
Total inventories	3	8
Current assets held for disposition	9	20
Net property and equipment	—	56
Intangible assets, net of amortization	—	18
Goodwill	17	102
Non-current assets held for disposition	17	176
Total assets held for disposition	\$ 26	\$ 196

**Note 5 — Supplemental Financial Information**

Other (income) expense, net, for 2018, 2017 and 2016 includes approximately \$160 million of income related to the non-service cost components of the net periodic benefit costs associated with the pension and post-retirement medical plans. These amounts are being reported in other (income) expense as a result of the adoption of the new accounting standard for recognizing pension cost. Other (income) expense, net, for 2017 includes a pre-tax gain of \$1.163 billion related to the sale of AMO to Johnson & Johnson. See Note 4 — Discontinued Operations and Assets Held for Disposition for further discussion of this sale. In 2017, Abbott sold 69.75 million ordinary shares of Mylan N.V. and received \$2.704 billion in proceeds and recorded a \$45 million pre-tax gain related to the sale of these ordinary shares. 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.

The detail of various balance sheet components is as follows:

(in millions)	December 31, 2018	December 31, 2017
<b>Long-term Investments:</b>		
Equity securities	\$ 856	\$ 797
Other	41	86
Total	\$ 897	\$ 883

Abbott's equity securities as of December 31, 2018 and December 31, 2017, include \$307 million and \$363 million, respectively, of investments in mutual funds that are held in a rabbi trust acquired as part of the St. Jude Medical, Inc. (St. Jude Medical) business acquisition. These investments, which are specifically designated as available for the purpose of paying benefits under a deferred compensation plan, are not available for general corporate purposes and are subject to creditor claims in the event of insolvency.

Abbott also holds certain investments as of December 31, 2018 with a carrying value of approximately \$325 million that are accounted for under the equity method of accounting and other equity investments with a carrying value of \$211 million that do not have a readily determinable fair value. The \$211 million



**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 5 — Supplemental Financial Information (Continued)**

carrying value includes an unrealized gain of approximately \$50 million on an investment. The gain was recorded in the second quarter of 2018 and relates to an observable price change for a similar investment of the same issuer.

(in millions)	December 31, 2018	December 31, 2017
<b>Other Accrued Liabilities</b>		
Accrued rebates payable to government agencies	\$ 166	\$ 124
Accrued other rebates (a)	608	498
All other	3,006	3,189
<b>Total</b>	<b>\$ 3,780</b>	<b>\$ 3,811</b>

- (a) Accrued wholesaler chargeback rebates of \$197 million and \$178 million at December 31, 2018 and 2017, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

(in millions)	December 31, 2018	December 31, 2017
<b>Post-employment Obligations and Other Long-term Liabilities:</b>		
Defined benefit pension plans and post-employment medical and dental plans for significant plans	\$ 2,040	\$ 2,169
Deferred income taxes	2,056	2,006
All other (b)	3,984	4,855
<b>Total</b>	<b>\$ 8,080</b>	<b>\$ 9,030</b>

- (b) 2018 includes approximately \$465 million of net unrecognized tax benefits, as well as approximately \$65 million of acquisition consideration payable. 2017 includes approximately \$835 million of net unrecognized tax benefits, as well as approximately \$100 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. On February 17, 2016, the Venezuelan government announced that its three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO was the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate was 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. After the revaluation, Abbott's investment in its Venezuelan operations was not significant.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 6 — Accumulated Other Comprehensive Income (Loss)**

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

	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains (Losses) on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 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)
Impact of adoption of new accounting standards	—	(337)	5	—	(332)
Other comprehensive income (loss) before reclassifications	(1,488)	(18)	—	58	(1,448)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)	28	150	—	78	256
Net current period other comprehensive income (loss)	(1,460)	132	—	136	(1,192)
Balance at December 31, 2018	\$ (4,912)	\$ (2,726)	\$ —	\$ 52	\$ (7,586)

- (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 products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit cost — see Note 14 for additional information.

**Note 7 — Business Acquisitions**

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

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 7 — Business Acquisitions (Continued)**

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	<u>\$ 23.6</u>

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 Anglo-Seal™ and Femoseal™ vascular closure and Abbott's Vado® Steerable Sheath businesses. The sale closed on January 20, 2017 and no gain or loss was recorded in the Consolidated Statement of Earnings.

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

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 7 — Business Acquisitions (Continued)**

The final allocation of the fair value of the Alere acquisition is shown in the table below

(in billions)	
Acquired intangible assets, non-deductible	\$ 3.5
Goodwill, non-deductible	3.7
Acquired net tangible assets	1.0
Deferred income taxes recorded at acquisition	(0.4)
Net debt	(2.6)
Preferred stock	(0.7)
Total final allocation of fair value	<u>\$ 4.5</u>

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 approximate value of the acquired tangible assets is \$430 million of trade accounts receivable, \$425 million of inventory, \$225 million of other current assets, \$540 million of property and equipment, and \$210 million of other long-term assets. The approximate value of the acquired tangible liabilities is \$675 million of trade accounts payable and other current liabilities and \$145 million of other non-current liabilities.

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

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

If the acquisitions of St. Jude Medical and Alere had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and the unaudited pro forma consolidated net loss from continuing operations would have been approximately \$485 million in 2016. This includes amortization of approximately \$940 million of inventory step-up and \$1.7 billion of intangibles related to St. Jude Medical and Alere. For 2017, unaudited pro forma consolidated net sales would have been approximately \$28.9 billion and unaudited pro forma consolidated net earnings from continuing operations would have been approximately \$750 million, which includes \$225 million of intangible amortization related to Alere. The unaudited pro forma consolidated net earnings from continuing operations for 2017 exclude inventory step-up amortization related to St. Jude Medical and Alere of approximately \$907 million which was recorded in 2017 but included in the 2016 unaudited pro

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 7 — Business Acquisitions (Continued)**

forma results as noted above. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical and Alere acquisitions been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

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

**Note 8 — Goodwill and Intangible Assets**

The total amount of goodwill reported was \$23.3 billion at December 31, 2018 and \$24.0 billion at December 31, 2017. The amounts reported at December 31, 2018 and 2017 exclude goodwill reported in non-current assets held for disposition. In 2018, foreign currency translation adjustments decreased goodwill by approximately \$440 million. Purchase price accounting adjustments associated with the Alere acquisition decreased goodwill by \$326 million in 2018. 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. The amount of goodwill related to reportable segments at December 31, 2018 was \$3.0 billion for the Established Pharmaceutical Products segment, \$286 million for the Nutritional Products segment, \$3.7 billion for the Diagnostic Products segment, and \$15.3 billion for the Cardiovascular and Neuromodulation Products segment. In 2018 and 2017, there were no significant reductions of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was \$25.7 billion and \$25.6 billion as of December 31, 2018 and 2017, respectively, and accumulated amortization was \$10.4 billion and \$8.1 billion as of December 31, 2018 and 2017, respectively. In 2018, purchase price allocation adjustments increased intangible assets by \$280 million and foreign currency translation adjustments decreased intangible assets by \$281 million. 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.

Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately \$3.6 billion and \$3.9 billion at December 31, 2018 and 2017, respectively. The decrease in indefinite-lived intangible assets in 2018 primarily relates to purchase price allocation adjustments associated with the Alere acquisition. 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

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 8 — Goodwill and Intangible Assets (Continued)**

in-process research and development project related to the Cardiovascular and Neuromodulation Products segment.

The estimated annual amortization expense for intangible assets recorded at December 31, 2018 is approximately \$2.0 billion in 2019, \$2.2 billion in 2020, \$2.1 billion in 2021, \$2.0 billion in 2022 and \$2.0 billion in 2023. Amortizable intangible assets are amortized over 2 to 20 years (weighted average 12 years).

**Note 9 — Restructuring Plans**

In 2017 and 2018, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Cardiovascular and Neuromodulation Products segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately \$52 million in 2018 and \$187 million in 2017. Approximately \$5 million in 2018 and 2017 is recorded in Cost of products sold, approximately \$10 million in 2018 is recorded in Research and development, and approximately \$37 million in 2018 and \$182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately \$23 million as part of the St. Jude Medical and Alere acquisitions. The following summarizes the activity related to these actions and the status of the related accruals:

(in millions)	
Liabilities assumed as part of business acquisitions	\$ 23
Restructuring charges	187
Payments and other adjustments	<u>(142)</u>
Accrued balance at December 31, 2017	68
Restructuring charges	52
Payments and other adjustments	<u>(79)</u>
Accrued balance at December 31, 2018	<u>\$ 41</u>

From 2016 to 2018, 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 \$28 million in 2018, \$120 million in 2017 and \$32 million in 2016. Approximately \$10 million in 2018, \$7 million in 2017, and \$9 million in 2016 are recorded in Cost of products sold, approximately \$2 million in 2018, \$77 million in 2017 and \$5 million in 2016 are recorded in Research and development and approximately \$16 million in 2018, \$36 million in 2017 and \$18 million in 2016 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2017 and 2016 were recorded primarily for accelerated depreciation.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 9 — Restructuring Plans (Continued)**

The following summarizes the activity for these restructurings

(in millions)	
Restructuring charges	\$ 32
Payments and other adjustments	<u>(15)</u>
Accrued balance at December 31, 2016	17
Restructuring charges	120
Payments and other adjustments	<u>(18)</u>
Accrued balance at December 31, 2017	119
Restructuring charges	28
Payments and other adjustments	<u>(77)</u>
Accrued balance at December 31, 2018	<u>\$ 70</u>

**Note 10 — Incentive Stock Program**

The 2017 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2018, Abbott granted 5,760,221 stock options, 871,331 restricted stock awards and 8,093,546 restricted stock units under this program.

Under Abbott's stock incentive programs, the purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options generally vest equally over three years. Restricted stock awards generally vest over 3 years, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of 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, 2018, approximately 144 million shares remained available for future issuance.

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.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 10 — Incentive Stock Program (Continued)**

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2018 and December 31, 2017 was 15,952,602 and \$52.11 and 15,518,719 and \$42.82, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2018 were 8,964,877 and \$60.10, 7,522,375 and \$42.85 and 1,008,619 and \$49.27, respectively. The fair market value of restricted stock awards and units vested in 2018, 2017 and 2016 was \$458 million, \$348 million and \$225 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, 2017	35,813,800	\$ 36.85	5.8	22,216,890	\$ 34.54	4.7
Granted	5,760,221	60.02				
Exercised	(7,690,569)	30.34				
Lapsed	(808,839)	44.77				
December 31, 2018	<u>33,074,613</u>	<u>\$ 42.21</u>	<u>6.3</u>	<u>21,660,783</u>	<u>\$ 38.05</u>	<u>5.3</u>

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2018 were \$996 million and \$743 million, respectively. The total intrinsic value of options exercised in 2018, 2017 and 2016 was \$249 million, \$233 million and \$98 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2018 amounted to approximately \$364 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 2018, 2017 and 2016 for share-based plans totaled approximately \$477 million, \$406 million and \$310 million, respectively, and the tax benefit recognized was approximately \$185 million, \$242 million and \$100 million, respectively. The decrease in the tax benefit in 2018 primarily relates to the Tax Cuts and Jobs Act (TCJA), which reduces the U.S. federal corporate tax rate from 35% to 21%. 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.

The fair value of an option granted in 2018, 2017 and 2016 was \$10.93, \$6.54, and \$4.38, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2018	2017	2016
Risk-free interest rate	2.7%	2.1%	1.4%
Average life of options (years)	6.0	6.0	6.0
Volatility	19.0%	18.0%	17.0%
Dividend yield	1.9%	2.4%	2.7%

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



**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 11 — Debt and Lines of Credit**

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

	2018	2017
5.125% Notes, due 2019	\$ —	\$ 947
2.35% Notes, due 2019	—	2,850
2.50% Line of credit borrowing due 2019	—	1,150
0.00% Notes, due 2020	1,300	—
2.80% Notes, due 2020	500	500
4.125% Notes, due 2020	—	597
2.00% Notes, due 2020	—	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
0.875% Notes, due 2023	1,303	—
3.25% Notes, due 2023	—	900
3.40% Notes, due 2023	1,050	1,500
3.875% Notes, due 2025	500	500
2.95% Notes, due 2025	1,000	1,000
1.50% Notes, due 2026	1,300	—
3.75% Notes, due 2026	1,700	3,000
4.75% Notes, due 2036	1,650	1,650
6.15% Notes, due 2037	547	547
6.00% Notes, due 2039	515	515
5.30% Notes, due 2040	694	694
4.75% Notes, due 2043	700	700
4.90% Notes, due 2046	3,250	3,250
Unamortized debt issuance costs	(102)	(119)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(148)	(121)
Total, net of current maturities	19,359	27,210
Current maturities of long-term debt	7	508
Total carrying amount	<u>\$ 19,366</u>	<u>\$ 27,718</u>

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

- \$0.947 billion principal amount of its 5.125% Notes due 2019 — redeemed on March 22, 2018
- \$1.055 billion of the \$2.850 billion principal amount of its 2.35% Notes due 2019 — redeemed on March 22, 2018
- \$1.300 billion of the \$1.795 billion outstanding principal amount of its 2.35% Notes due 2019 — redeemed on June 22, 2018
- \$0.495 billion outstanding principal amount of its 2.35% Notes due 2019 — redeemed on September 28, 2018

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 11 — Debt and Lines of Credit (Continued)**

On January 25, 2019, Abbott gave notice to the holders of its 2.80% Notes due 2020, that it will redeem the \$500 million outstanding principal amount of these notes on February 24, 2019. After the redemption of the 2.80% Notes, approximately \$700 million of the \$5 billion debt redemption authorization noted above will remain available.

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

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

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

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

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

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

	<u>Principal Amount</u>
2.00% Senior Notes due 2018	\$ 473.8 million
2.80% Senior Notes due 2020	\$ 483.7 million
3.25% Senior Notes due 2023	\$ 818.4 million
3.875% Senior Notes due 2025	\$ 490.7 million
4.75% Senior Notes due 2043	\$ 639.1 million

Following this exchange, approximately \$194.2 million of existing St. Jude Medical notes remained outstanding across the five series of existing notes which have the same coupons and maturities as those listed above. There were no significant costs associated with the exchange of debt. In addition, during the

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 11 — Debt and Lines of Credit (Continued)**

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 issued 364-day yen-denominated debt, of which \$199 million and \$195 million was outstanding at December 31, 2018 and 2017, respectively. In 2017, Abbott also paid off a \$479 million yen-denominated short-term borrowing during the year.

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

On October 3, 2017, Abbott borrowed \$1.7 billion under its lines of credit. Proceeds from such borrowing were used to finance the acquisition of Alere, to repay certain indebtedness of Abbott and Alere, and to pay fees and expenses in connection with the acquisition. These lines of credit were part of a 2014 revolving credit agreement that provided Abbott with the ability to borrow up to \$5 billion on an unsecured basis. Advances under the revolving credit agreement, including the \$1.7 billion borrowing in October 2017, were scheduled to mature and be payable on July 10, 2019. The \$1.7 billion borrowing bore interest based on a Eurodollar rate, plus an applicable margin based on Abbott's credit ratings. Prior to October 3, 2017, no amounts were previously drawn under the revolving credit agreement. In the fourth quarter of 2017, Abbott paid off \$550 million on the revolving loan. Abbott paid off the remaining balance on this revolving loan on January 5, 2018.

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

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, 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.

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.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 11 — Debt and Lines of Credit (Continued)**

Principal payments required on long-term debt outstanding at December 31, 2018 are \$7 million in 2019, \$1.8 billion in 2020, \$2.9 billion in 2021, \$750 million in 2022, \$3.3 billion in 2023 and \$11.8 billion in 2024 and thereafter.

At December 31, 2018, Abbott's long-term debt rating was BBB by Standard & Poor's Corporation and Baa1 by Moody's. Abbott has readily available financial resources, including lines of credit of \$5.0 billion which expire in 2023 and support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.4% at December 31, 2018, 0.3% at December 31, 2017 and 0.6% at December 31, 2016.

**Note 12 — Financial Instruments, Derivatives and Fair Value Measures**

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with gross notional amounts totaling \$5.1 billion at December 31, 2018, and \$3.3 billion at December 31, 2017, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of December 31, 2018 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies, in exchange for primarily U.S. dollars and European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar and European currencies. At December 31, 2018, 2017 and 2016, Abbott held gross notional amounts of \$13.6 billion, \$20.1 billion and \$14.9 billion, respectively, of such foreign currency forward exchange contracts.

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, the value of this short-term debt was \$454 million and changes in the fair value of the debt up through the date of repayment due to changes in exchange rates were recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling approximately \$2.9 billion at December 31, 2018, \$4.0 billion at December 31, 2017 and \$5.5 billion at December 31, 2016, to manage its exposure to changes in the fair value of fixed-rate debt. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

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

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)**

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

In December 2016, Abbott unwound approximately \$1.5 billion in interest rate swaps relating to the 4.125% Note due in 2020 and the 5.125% Note due in 2019. As part of the unwinding, Abbott received approximately \$55 million in cash, which was included in the Financing Activities section of the Consolidated Statement of Cash Flows in 2016.

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

(in millions)	Fair Value — Assets			Fair Value — Liabilities		
	2018	2017	Balance Sheet Caption	2018	2017	Balance Sheet Caption
Interest rate swaps designated as fair value hedges	\$ —	\$ —	Deferred income taxes and other assets	\$ 100	\$ 93	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts —						
Hedging instruments	81	21	Other prepaid expenses and receivables	44	106	Other accrued liabilities
Others not designated as hedges	33	117	Other prepaid expenses and receivables	51	99	Other accrued liabilities
	<u>\$ 114</u>	<u>\$ 138</u>		<u>\$ 195</u>	<u>\$ 298</u>	

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

(in millions)	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			Income Statement Caption
	2018	2017	2016	2018	2017	2016	
Foreign currency forward exchange contracts designated as cash flow hedges	\$ 73	\$ (226)	\$ 49	\$ (114)	\$ (48)	\$ 48	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	—	(25)	(15)	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(97)	(24)	(127)	Interest expense

Losses of \$100 million and \$64 million, and gains of \$8 million were recognized in 2018, 2017 and 2016, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

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

The carrying values and fair values of certain financial instruments as of December 31 are shown in the table below. The carrying values of all other financial instruments approximate their estimated fair values.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)

The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties

(In millions)	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	\$ 856	\$ 856	\$ 797	\$ 797
Other	41	41	86	86
Total Long-Term Debt	(19,366)	(19,871)	(27,718)	(29,018)
Foreign Currency Forward Exchange Contracts:				
Receivable position	114	114	138	138
(Payable) position	(95)	(95)	(205)	(205)
Interest Rate Hedge Contracts:				
(Payable) position	(100)	(100)	(93)	(93)

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

(In millions)	Outstanding Balances	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2018:				
Equity securities	\$ 320	\$ 320	\$ —	\$ —
Foreign currency forward exchange contracts	114	—	114	—
Total Assets	\$ 434	\$ 320	\$ 114	\$ —
Fair value of hedged long-term debt	\$ 2,743	\$ —	\$ 2,743	\$ —
Interest rate swap financial instruments	100	—	100	—
Foreign currency forward exchange contracts	95	—	95	—
Contingent consideration related to business combinations	71	—	—	71
Total Liabilities	\$ 3,009	\$ —	\$ 2,938	\$ 71
December 31, 2017:				
Equity securities	\$ 374	\$ 374	\$ —	\$ —
Foreign currency forward exchange contracts	138	—	138	—
Total Assets	\$ 512	\$ 374	\$ 138	\$ —
Fair value of hedged long-term debt	\$ 3,898	\$ —	\$ 3,898	\$ —
Interest rate swap financial instruments	93	—	93	—
Foreign currency forward exchange contracts	205	—	205	—
Contingent consideration related to business combinations	120	—	—	120
Total Liabilities	\$ 4,316	\$ —	\$ 4,196	\$ 120

The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the debt was determined based

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 12 — Financial Instruments, Derivatives and Fair Value Measures (Continued)**

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

Contingent consideration relates to businesses acquired by Abbott. The fair value of the contingent consideration was determined based on independent appraisals, at the time of the business acquisition, adjusted for the time value of money and other changes in fair value. The maximum amount for certain contingent consideration is not determinable as it is based on a percent of certain sales. Excluding such contingent consideration, the maximum amount estimated to be due is approximately \$480 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.

**Note 13 — Litigation and Environmental Matters**

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

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately \$125 million to \$165 million. The recorded accrual balance at December 31, 2018 for these proceedings and exposures was approximately \$145 million. This accrual represents management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies." Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14 — Post-Employment Benefits

Retirement plans consist of defined benefit, defined contribution and medical and dental plans. Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

(in millions)	Defined Benefit Plans		Medical and Dental Plans	
	2018	2017	2018	2017
Projected benefit obligations, January 1	\$ 9,953	\$ 8,517	\$ 1,393	\$ 1,274
Service cost — benefits earned during the year	293	283	26	25
Interest cost on projected benefit obligations	308	287	48	45
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	(1,044)	752	(106)	149
Benefits paid	(295)	(276)	(68)	(80)
Other, including foreign currency translation	(122)	390	(1)	(20)
Projected benefit obligations, December 31	<u>\$ 9,093</u>	<u>\$ 9,953</u>	<u>\$ 1,292</u>	<u>\$ 1,393</u>
Plan assets at fair value, January 1	\$ 9,298	\$ 7,542	\$ 419	\$ 416
Actual return (loss) on plans' assets	(450)	1,107	(20)	65
Company contributions	114	645	12	12
Benefits paid	(295)	(276)	(60)	(74)
Other, including foreign currency translation	(114)	280	—	—
Plan assets at fair value, December 31	<u>\$ 8,553</u>	<u>\$ 9,298</u>	<u>\$ 351</u>	<u>\$ 419</u>
Projected benefit obligations greater than plan assets, December 31	<u>\$ (540)</u>	<u>\$ (655)</u>	<u>\$ (941)</u>	<u>\$ (974)</u>
Long-term assets	\$ 583	\$ 563	\$ —	\$ —
Short-term liabilities	(23)	(21)	(1)	(2)
Long-term liabilities	<u>(1,100)</u>	<u>(1,197)</u>	<u>(940)</u>	<u>(972)</u>
Net liability	<u>\$ (540)</u>	<u>\$ (655)</u>	<u>\$ (941)</u>	<u>\$ (974)</u>
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	\$ 3,326	\$ 3,466	\$ 361	\$ 456
Prior service cost (credits)	(2)	(9)	(163)	(208)
Total	<u>\$ 3,324</u>	<u>\$ 3,457</u>	<u>\$ 198</u>	<u>\$ 248</u>

The projected benefit obligations for non-U.S. defined benefit plans was \$2.7 billion and \$3.0 billion at December 31, 2018 and 2017, respectively. The accumulated benefit obligations for all defined benefit plans were \$8.3 billion and \$8.9 billion at December 31, 2018 and 2017, respectively.



**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 14 — Post-Employment Benefits (Continued)**

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2018 and 2017, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows

(in millions)	2018	2017
Accumulated benefit obligation	\$ 1,265	\$ 1,664
Projected benefit obligation	1,362	1,892
Fair value of plan assets	375	696

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

(in millions)	Defined Benefit Plans			Medical and Dental Plans		
	2018	2017	2016	2018	2017	2016
Service cost — benefits earned during the year	\$ 293	\$ 283	\$ 263	\$ 26	\$ 25	\$ 26
Interest cost on projected benefit obligations	308	287	288	48	45	43
Expected return on plans' assets	(680)	(613)	(565)	(33)	(33)	(35)
Amortization of actuarial losses	205	163	129	33	23	16
Amortization of prior service cost (credits)	1	1	—	(45)	(45)	(45)
Total cost	<u>\$ 127</u>	<u>\$ 121</u>	<u>\$ 115</u>	<u>\$ 29</u>	<u>\$ 15</u>	<u>\$ 5</u>

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

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes net actuarial losses of \$86 million for defined benefit plans and a gain of \$53 million for medical and dental plans in 2018, net actuarial losses of \$247 million for defined benefit plans and \$97 million for medical and dental plans in 2017; net actuarial losses of \$571 million for defined benefit plans and \$20 million for medical and dental plans in 2016.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2018 that is expected to be recognized in the net periodic benefit cost in 2019 is \$130 million and \$1 million of expense, respectively, for defined benefit pension plans and \$24 million of expense and \$32 million of income, respectively, for medical and dental plans.

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

	2018	2017	2016
Discount rate	4.0%	3.4%	3.9%
Expected aggregate average long-term change in compensation	4.3%	4.4%	4.3%

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 14 — Post-Employment Benefits (Continued)**

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

	2018	2017	2016
Discount rate	3.4%	3.9%	4.3%
Expected return on plan assets	7.7%	7.6%	7.6%
Expected aggregate average long-term change in compensation	4.4%	4.3%	4.3%

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

	2018	2017	2016
Health care cost trend rate assumed for the next year	9%	9%	8%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2025	2027	2027

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2018, by \$157 million /\$(131) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately \$12 million/\$(10) million.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 14 — Post-Employment Benefits (Continued)**

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

(in millions)	Basis of Fair Value Measurement				
	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at NAV (k)
<b>December 31, 2018:</b>					
<b>Equities</b>					
U.S. large cap (a)	\$ 2,168	\$ 1,319	\$ 5	\$ —	\$ 844
U.S. mid and small cap (b)	515	226	—	—	289
International (c)	1,671	370	—	—	1,301
<b>Fixed income securities</b>					
U.S. government securities (d)	476	51	269	—	156
Corporate debt instruments (e)	1,150	269	701	—	180
Non-U.S. government securities (f)	405	5	—	—	400
Other (g)	199	15	55	—	129
Absolute return funds (h)	1,684	448	—	—	1,236
Commodities (i)	59	—	—	4	55
Cash and Cash Equivalents	192	123	—	—	69
Other (j)	385	11	—	—	374
	<u>\$ 8,904</u>	<u>\$ 2,837</u>	<u>\$ 1,030</u>	<u>\$ 4</u>	<u>\$ 5,033</u>
<b>December 31, 2017:</b>					
<b>Equities:</b>					
U.S. large cap (a)	\$ 2,506	\$ 1,600	\$ —	\$ —	\$ 906
U.S. mid and small cap (b)	670	243	—	—	427
International (c)	1,937	448	—	—	1,489
<b>Fixed income securities:</b>					
U.S. government securities (d)	510	11	286	—	213
Corporate debt instruments (e)	930	107	411	—	412
Non-U.S. government securities (f)	625	222	—	—	403
Other (g)	216	93	27	—	96
Absolute return funds (h)	1,814	135	—	—	1,679
Commodities (i)	60	—	—	4	56
Cash and Cash Equivalents	178	12	—	—	166
Other (j)	271	7	—	—	264
	<u>\$ 9,717</u>	<u>\$ 2,878</u>	<u>\$ 724</u>	<u>\$ 4</u>	<u>\$ 6,111</u>

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

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 14 — Post-Employment Benefits (Continued)**

- (c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.
- (d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices
- (e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.
- (f) Primarily United Kingdom, Japan and Irish government-issued bonds. In 2017, included Netherlands bonds
- (g) Primarily asset backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.
- (h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets
- (i) Primarily investments in liquid commodity future contracts and private energy funds.
- (j) Primarily investments in private funds, such as private equity, private credit and private real estate
- (k) In accordance with ASU 2015-07, investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the net asset value (NAV) provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For approximately half of these funds, investments may be redeemed once per month, with a required 7 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2018 and 2017. For the majority of these funds, investments may be redeemed either weekly or monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2018 and 2017. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 45 days. For approximately \$100 million of the absolute return funds, redemptions are subject to a 25 percent gate. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2019 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2018 and 2017 were not

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 14 — Post-Employment Benefits (Continued)**

significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2019 to 2028. Abbott's unfunded commitment in these funds was \$518 million and \$489 million as of December 31, 2018 and 2017, respectively.

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

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

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded \$114 million in 2018 and \$645 million in 2017 to defined pension plans. Abbott expects to contribute approximately \$380 million to its pension plans in 2019.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2019	\$ 306	\$ 74
2020	317	77
2021	333	78
2022	351	79
2023	369	80
2024 to 2028	2,160	418

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were \$146 million in 2018, \$79 million in 2017 and \$83 million in 2016. The 2018 contributions include amounts related to participants of the St. Jude Medical Retirement Plan which was terminated in January 2018.

**Note 15 — Taxes on Earnings from Continuing Operations**

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

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

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

**Note 15 — Taxes on Earnings from Continuing Operations (Continued)**

on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of December 31, 2018, Abbott has completed its accounting for all of the enactment date income tax effects of the TCJA. If additional regulations issued by the U.S. Department of the Treasury after December 31, 2018 result in a change in judgment, the effect of such regulations will be accounted for in the period in which the regulations are finalized.

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

In the fourth quarter of 2017, Abbott recorded an estimate of net tax expense of \$1.46 billion for the impact of the TCJA, which was included in Taxes on Earnings from Continuing Operations in the Consolidated Statement of Earnings. The estimate was provisional and included a charge of approximately \$2.89 billion for the transition tax, partially offset by a net benefit of approximately \$1.42 billion for the remeasurement of deferred tax assets and liabilities, and a net benefit of approximately \$10 million related to certain other impacts of the TCJA. In 2018, Abbott recorded \$130 million of additional tax expense which increased the final tax expense related to the TCJA to \$1.59 billion. The \$130 million of additional tax expense reflects a \$120 million increase in the transition tax from \$2.89 billion to \$3.01 billion and a \$10 million reduction in the net benefit related to the remeasurement of deferred tax assets and liabilities.

The one-time transition tax is based on Abbott's total post-1986 earnings and profits (E&P) that were previously deferred from U.S. income taxes. The tax computation also requires the determination of the amount of post-1986 E&P considered held in cash and other specified assets. As of December 31, 2018, the remaining balance of Abbott's transition tax obligation is approximately \$1.58 billion, which will be paid over the next eight years as allowed by the TCJA.

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

Undistributed foreign earnings remain indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in its foreign entities is not practicable. In the U.S., Abbott's federal income tax returns through 2016 are settled except for the federal income tax returns of the former Alere consolidated group which are settled through 2014 and the former St. Jude Medical consolidated group which are settled through 2013. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 15 — Taxes on Earnings from Continuing Operations (Continued)**

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

(in millions)	2018	2017	2016
<b>Earnings From Continuing Operations Before Taxes:</b>			
Domestic	\$ (430)	\$ 308	\$ 306
Foreign	3,303	1,923	1,107
Total	<u>\$ 2,873</u>	<u>\$ 2,231</u>	<u>\$ 1,413</u>
<b>Taxes on Earnings From Continuing Operations</b>			
Current:			
Domestic	\$ (812)	\$ 2,260	\$ 71
Foreign	606	508	406
Total current	<u>(206)</u>	<u>2,768</u>	<u>477</u>
Deferred			
Domestic	832	(679)	(147)
Foreign	(87)	(211)	20
Total deferred	<u>745</u>	<u>(890)</u>	<u>(127)</u>
Total	<u>\$ 539</u>	<u>\$ 1,878</u>	<u>\$ 350</u>

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

	2018	2017	2016
Statutory tax rate on earnings from continuing operations	21.0%	35.0%	35.0%
Impact of foreign operations	(5.4)	(16.3)	(17.8)
Impact of TCJA and other related items	6.3	65.5	—
Foreign-derived intangible income benefit	(1.9)	—	—
Domestic impairment loss	(2.1)	—	—
Excess tax benefits related to stock compensation	(3.1)	(5.4)	—
Research tax credit	(1.8)	(1.9)	(1.8)
Resolution of certain tax positions pertaining to prior years	3.4	—	(16.1)
Mylan share adjustment	—	—	25.5
State taxes, net of federal benefit	0.4	0.5	(1.3)
Federal tax cost on sale of Mylan N.V. shares	—	3.4	—
All other, net	2.0	3.4	1.3
Effective tax rate on earnings from continuing operations	<u>18.8%</u>	<u>84.2%</u>	<u>24.8%</u>

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

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 15 — Taxes on Earnings from Continuing Operations (Continued)**

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

(in millions)	2018	2017
Deferred tax assets:		
Compensation and employee benefits	\$ 829	\$ 881
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,546	2,857
Trade receivable reserves	196	185
Inventory reserves	97	152
Deferred intercompany profit	203	249
Total deferred tax assets before valuation allowance	3,871	4,324
Valuation allowance	(1,363)	(1,355)
Total deferred tax assets	<u>2,508</u>	<u>2,969</u>
Deferred tax liabilities		
Depreciation	(226)	(200)
Other, primarily the excess of book basis over tax basis of intangible assets	(3,557)	(3,385)
Total deferred tax liabilities	<u>(3,783)</u>	<u>(3,585)</u>
Total net deferred tax assets (liabilities)	<u>\$ (1,275)</u>	<u>\$ (616)</u>

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

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

(in millions)	2018	2017
January 1	\$ 1,440	\$ 972
Decrease in tax positions due to acquisitions	(13)	—
Increase in tax positions due to acquisitions	—	479
Increase due to current year tax positions	164	187
Increase due to prior year tax positions	235	76
Decrease due to prior year tax positions	(611)	(176)
Settlements	(91)	(57)
Lapse of statute	(4)	(41)
December 31	<u>\$ 1,120</u>	<u>\$ 1,440</u>

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately \$1.02 billion. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of \$125 million to \$350 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters



**Abbott Laboratories and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 16 — Segment and Geographic Area Information**

Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. On January 4, 2017, Abbott completed the acquisition of St. Jude Medical. Beginning with the first quarter of 2017, Abbott's cardiovascular and neuromodulation business 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. On October 3, 2017, Abbott completed the acquisition of Alere. Beginning with the fourth quarter of 2017, Abbott's Diagnostic Products reportable segment includes the results of Alere from the date of acquisition.

Abbott's reportable segments are as follows:

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

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

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

*Cardiovascular and Neuromodulation Products* — Worldwide sales of rhythm management, electrophysiology, heart failure, vascular, structural heart and neuromodulation products. For segment reporting purposes, the Cardiac Arrhythmias & Heart Failure, Vascular, Neuromodulation and Structural Heart divisions are aggregated and reported as the Cardiovascular and Neuromodulation segment.

Non-reportable segments include AMO through the date of sale and Diabetes Care.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment's assets.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 16 — Segment and Geographic Area Information (Continued)**

The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements

(in millions)	Net Sales to External Customers (a)			Operating Earnings (a)		
	2018	2017	2016	2018	2017	2016
<b>Established Pharmaceuticals</b>	<b>\$ 4,422</b>	<b>\$ 4,287</b>	<b>\$ 3,859</b>	<b>\$ 894</b>	<b>\$ 848</b>	<b>\$ 723</b>
Nutritionals	7,229	6,925	6,899	1,652	1,589	1,660
Diagnostics	7,495	5,616	4,813	1,868	1,468	1,194
Cardiovascular and Neuromodulation	9,437	8,911	2,896	2,990	2,720	1,037
<b>Total Reportable Segments</b>	<b>28,583</b>	<b>25,739</b>	<b>18,467</b>	<b>\$ 7,404</b>	<b>\$ 6,625</b>	<b>\$ 4,614</b>
Other	1,995	1,651	2,386			
<b>Total</b>	<b>\$ 30,578</b>	<b>\$ 27,390</b>	<b>\$ 20,853</b>			

- (a) Net sales were unfavorably affected by the relatively stronger US dollar in 2018 and 2016. Operating earnings were unfavorably affected by the impact of foreign exchange in 2018, 2017 and 2016.

(in millions)	2018	2017	2016
<b>Total Reportable Segment Operating Earnings</b>	<b>\$ 7,404</b>	<b>\$ 6,625</b>	<b>\$ 4,614</b>
Corporate functions and benefit plans costs	(618)	(506)	(411)
<b>Non-reportable segments</b>	<b>510</b>	<b>306</b>	<b>304</b>
Net interest expense	(721)	(780)	(332)
Loss on extinguishment of debt	(167)	—	—
Share-based compensation	(477)	(406)	(310)
<b>Amortization of intangible assets</b>	<b>(2,178)</b>	<b>(1,975)</b>	<b>(550)</b>
Other, net (b)	(880)	(1,033)	(1,902)
<b>Earnings from Continuing Operations before Taxes</b>	<b>\$ 2,873</b>	<b>\$ 2,231</b>	<b>\$ 1,413</b>

- (b) Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges in 2018. In 2017, Other, net includes inventory step-up amortization, integration costs associated with the acquisition of St. Jude Medical and Alere, and restructuring charges, partially offset by the gain on the sale of the AMO business. In 2016, Other, net includes the \$947 million adjustment of the Mylan equity investment and \$480 million of foreign currency exchange loss related to operations in Venezuela. Charges for restructuring actions and other cost reduction initiatives were approximately \$153 million in 2018, \$384 million in 2017 and \$167 million in 2016.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 16 — Segment and Geographic Area Information (Continued)**

(in millions)	Depreciation			Additions to Property, Plant and Equipment (c)			Total Assets		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Established									
Pharmaceuticals	\$ 92	\$ 90	\$ 71	\$ 131	\$ 181	\$ 150	\$ 2,664	\$ 2,728	\$ 2,486
Nutritionals	150	164	160	86	147	199	3,071	3,160	3,189
Diagnostics	397	300	267	609	374	379	4,464	4,226	2,945
Cardiovascular and Neuromodulation	248	298	69	183	206	23	4,910	5,074	1,425
Total Reportable Segments	887	852	567	1,009	908	751	<u>\$ 15,109</u>	<u>\$ 15,188</u>	<u>\$ 10,045</u>
Other	213	194	236	385	227	370			
Total	<u>\$ 1,100</u>	<u>\$ 1,046</u>	<u>\$ 803</u>	<u>\$ 1,394</u>	<u>\$ 1,135</u>	<u>\$ 1,121</u>			

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

(in millions)	2018	2017	2016
Total Reportable Segment Assets	\$ 15,109	\$ 15,188	\$ 10,045
Cash and investments	4,983	10,493	21,722
Non-reportable segments	991	740	1,280
Goodwill and intangible assets (d)	42,196	45,493	12,222
All other (d)	3,894	4,336	7,397
Total Assets	<u>\$ 67,173</u>	<u>\$ 76,250</u>	<u>\$ 52,666</u>

(d) Goodwill and intangible assets related to AMO are included in the All other line in 2016

(in millions)	Net Sales to External Customers (e)		
	2018	2017	2016
United States	\$ 10,839	\$ 9,673	\$ 6,486
China	2,311	2,146	1,728
Germany	1,619	1,366	1,044
India	1,333	1,237	1,114
Japan	1,326	1,255	924
Switzerland	1,005	841	766
The Netherlands	930	929	830
All Other Countries	11,215	9,943	7,961
Consolidated	<u>\$ 30,578</u>	<u>\$ 27,390</u>	<u>\$ 20,853</u>

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

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments. At December 31, 2018 and 2017, long-lived assets totaled \$8.7 billion and \$8.9 billion, respectively, and in the United States such assets totaled \$4.3 billion and \$4.5 billion, respectively. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 17 — Quarterly Results (Unaudited)

(in millions except per share data)

**First Quarter**

	2018	2017
Continuing Operations		
Net Sales	\$ 7,390	\$ 6,335
Gross Profit	3,739	2,751
Earnings from Continuing Operations	409	386
Basic Earnings per Common Share	0.23	0.22
Diluted Earnings per Common Share	0.23	0.22
Net Earnings	418	419
Basic Earnings Per Common Share (a)	0.24	0.24
Diluted Earnings Per Common Share (a)	0.23	0.24
Market Price Per Share-High	64.60	45.84
Market Price Per Share-Low	55.58	38.34

**Second Quarter**

Continuing Operations		
Net Sales	\$ 7,767	\$ 6,637
Gross Profit	3,923	3,056
Earnings from Continuing Operations	718	270
Basic Earnings per Common Share	0.41	0.15
Diluted Earnings per Common Share	0.40	0.15
Net Earnings	733	283
Basic Earnings Per Common Share (a)	0.42	0.16
Diluted Earnings Per Common Share (a)	0.41	0.16
Market Price Per Share-High	63.85	49.59
Market Price Per Share-Low	56.81	42.31

**Third Quarter**

Continuing Operations		
Net Sales	\$ 7,656	\$ 6,829
Gross Profit	3,946	3,452
Earnings from Continuing Operations	552	561
Basic Earnings per Common Share	0.31	0.32
Diluted Earnings per Common Share	0.31	0.32
Net Earnings	563	603
Basic Earnings Per Common Share (a)	0.32	0.34
Diluted Earnings Per Common Share (a)	0.32	0.34
Market Price Per Share-High	73.58	54.80
Market Price Per Share-Low	60.32	47.83

**Fourth Quarter**

Continuing Operations:		
Net Sales	\$ 7,765	\$ 7,589
Gross Profit	4,086	3,747
Earnings (Loss) from Continuing Operations	655	(864)
Basic Earnings (Loss) per Common Share	0.37	(0.50)
Diluted Earnings (Loss) per Common Share	0.37	(0.50)
Net Earnings (Loss)	654	(828)
Basic Earnings (Loss) Per Common Share (a)	0.37	(0.48)
Diluted Earnings (Loss) Per Common Share (a)	0.37	(0.48)
Market Price Per Share-High	74.92	57.77
Market Price Per Share-Low	65.44	53.20

- (a) The sum of the four quarters of earnings per share for 2018 and 2017 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter

### Management Report on Internal Control Over Financial Reporting

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

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

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2018, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 97.

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

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

Robert E. Funck  
Senior Vice President, Finance and Controller

February 22, 2019

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of Abbott Laboratories

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 22, 2019 expressed an unqualified opinion thereon.

**Basis for Opinion**

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

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

/s/ Ernst & Young LLP

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

Chicago, Illinois  
February 22, 2019

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of Abbott Laboratories

### **Opinion on Internal Control over Financial Reporting**

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Abbott Laboratories and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2018, and the related notes of the Company and our report dated February 22, 2019 expressed an unqualified opinion thereon.

### **Basis for Opinion**

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

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

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

### **Definition and Limitations of Internal Control Over Financial Reporting**

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

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

/s/ Ernst & Young LLP

Chicago, Illinois  
February 22, 2019



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

*Evaluation of disclosure controls and procedures* The Chief Executive Officer, Miles D. White, and the Chief Financial Officer, Brian B. Yoor, evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Internal Control Over Financial Reporting**

*Management's annual report on internal control over financial reporting* Management's report on Abbott's internal control over financial reporting is included on page 95 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 96 hereof.

*Changes in internal control over financial reporting* During the quarter ended December 31, 2018, there were no changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2019 Abbott Laboratories Proxy Statement. The 2019 Proxy Statement will be filed on or about March 15, 2019. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 17 through 20 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website ([www.abbotinvestor.com](http://www.abbotinvestor.com)). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

#### ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2019 Proxy Statement under the headings "2018 Director Compensation" and "Executive Compensation" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

##### (a) Equity Compensation Plan Information

The following table presents information as of December 31, 2018 about our compensation plans under which Abbott common shares have been authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	30,425,425	\$ 43.23	157,934,888
Equity compensation plans not approved by security holders	0	—	0
<b>Total (1)(2)</b>	<b>30,425,425</b>	<b>\$ 43.23</b>	<b>157,934,888</b>

- (1) (i) *Abbott Laboratories 1996 Incentive Stock Program.* Benefits under the 1996 Program include stock options intended to qualify for special tax treatment under Section 422 of the Internal Revenue Code, stock options that do not qualify for that special tax treatment ("non-qualified stock options"), restricted stock, restricted stock units, stock appreciation rights, performance awards, and foreign qualified benefits. The shares that remain available for issuance under the 1996 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards may be satisfied only from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 1996 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2009 Incentive Stock Program (the "2009 Program"). If shares are issued under any benefit under the 1996 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 1996 Program.

In April 2009, the 1996 Program was replaced by the 2009 Program. No further awards will be granted under the 1996 Program.

- (ii) *Abbott Laboratories 2009 Incentive Stock Program.* Benefits under the 2009 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2009 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2009 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Abbott Laboratories 2017 Incentive Stock Program (the "2017 Program"). If shares are issued under any benefit under the 2009 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2009 Program.

In April 2017, the 2009 Program was replaced by the 2017 Program. No further awards will be granted under the 2009 Program.

- (iii) *Abbott Laboratories 2017 Incentive Stock Program.* Benefits under the 2017 Program include non-qualified stock options, restricted stock, restricted stock units, performance awards, other share-based awards (including stock appreciation rights, dividend equivalents and recognition awards), awards to non-employee directors, and foreign benefits. The shares that remain available for issuance under the 2017 Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards are satisfied from treasury shares).

If there is a lapse, expiration, termination, forfeiture or cancellation of any benefit granted under the 2017 Program without the issuance of shares or payment of cash thereunder, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the 2017 Program. If shares are issued under any benefit under the 2017 Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may not again be used for new stock options, rights, or awards of any type authorized under the 2017 Program.

- (iv) *Abbott Laboratories Employee Stock Purchase Plan for Non-U.S. Employees* Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US \$12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares may be either authorized but unissued shares, treasury shares, or shares acquired on the open market. The purchase price is typically 85% of the lower of the fair market value of the shares on the purchase date or on the first day of that purchase cycle. As the number of shares subject to outstanding options is indeterminable, columns (a) and (b) of the above table do not include information on the Employee Stock Purchase Plan. As of December 31, 2018, an aggregate of 13,708,139 common shares were available for future issuance under the Employee Stock Purchase Plan, including shares subject to purchase during the current purchase cycle.

In April 2017, the 2009 Employee Stock Purchase Plan for Non-U.S. Employees was amended and restated as the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees.

- (2) Not included in the table: *St. Jude Medical, Inc. Plans* In 2017, in connection with the acquisition of St. Jude Medical, Inc., options outstanding under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) were assumed by Abbott and converted into Abbott options of substantially equivalent value. As of December 31, 2018, 2,649,188 options remained outstanding under these plans. These options have a weighted average purchase price of \$30.42. No further awards will be granted under these plans.

For additional information concerning the Abbott Laboratories 1996 Incentive Stock Program, the Abbott Laboratories 2009 Incentive Stock Program, the Abbott Laboratories 2017 Incentive Stock Program, and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees, see the discussion in Note 10 entitled "Incentive Stock Program" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

- (b) *Information Concerning Security Ownership* Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" and "Information Concerning Security Ownership" in the 2019 Proxy Statement. The 2019 Proxy Statement will be filed on or about March 15, 2019.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The material to be included in the 2019 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The material to be included in the 2019 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2019 Proxy Statement will be filed on or about March 15, 2019.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Form 10-K

- (1) *Financial Statements* See Item 8, "Financial Statements and Supplementary Data," on page 49 hereof, for a list of financial statements.
- (2) *Financial Statement Schedules* The required financial statement schedules are found on the pages indicated below. These schedules should be read in conjunction with the Consolidated Financial Statements of Abbott Laboratories:

<u>Abbott Laboratories Financial Statement Schedules</u>	<u>Page No.</u>
Valuation and Qualifying Accounts (Schedule II)	115
Schedules I, III, IV, and V are not submitted because they are not applicable or not required	
Report of Independent Registered Public Accounting Firm	116
Individual Financial Statements of businesses acquired by the registrant have been omitted pursuant to Rule 3.05 of Regulation S-X	

- (3) *Exhibits Required by Item 601 of Regulation S-K* The information called for by this paragraph is set forth in Item 15(b) below

(b) Exhibits filed

<u>10-K Exhibit Table Item No.</u>	
<u>2.1</u>	<u>* Agreement and Plan of Merger dated as of January 30, 2016, among Alere Inc. and Abbott Laboratories, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated January 30, 2016.</u>
<u>2.2</u>	<u>* Amendment to Agreement and Plan of Merger dated as of April 13, 2017, among Alere Inc., Abbott Laboratories and Angel Sub, Inc., filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 14, 2017.</u>
<u>2.3</u>	<u>* Agreement and Plan of Merger dated as of April 27, 2016, by and among Abbott Laboratories, St. Jude Medical, Inc., Vault Merger Sub, Inc. and Vault Merger Sub, LLC, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 27, 2016.</u>
<u>2.4</u>	<u>* Stock Purchase Agreement, dated as of September 14, 2016, by and between Abbott Laboratories and Chace LLC and, solely for certain purposes, Johnson &amp; Johnson, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated September 14, 2016.</u>
	Certain schedules and exhibits have been omitted from these filings pursuant to Item 601(b)(2) of Regulation S-K. Abbott will furnish supplemental copies of any such schedules or exhibits to the U.S. Securities and Exchange Commission upon request.
<u>3.1</u>	<u>* Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.</u>
<u>3.2</u>	<u>* By-Laws of Abbott Laboratories, as amended and restated effective June 8, 2018, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated June 8, 2018.</u>

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- 4.1     \*Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
  
- 4.2     \*Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
  
- 4.3     \*Form of \$1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
  
- 4.4     \*Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
  
- 4.5     \*Form of \$1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
  
- 4.6     \*Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
  
- 4.7     \*Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
  
- 4.8     \*Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
  
- 4.9     \*Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
  
- 4.10    \*Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
  
- 4.11    \*Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
  
- 4.12    \*Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
  
- 4.13    \*Form of 2.900% Notes due 2021, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
  
- 4.14    \*Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
  
- 4.15    \*Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.

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<u>4.16</u>	<u>*Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.</u>
<u>4.17</u>	<u>*Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.</u>
<u>4.18</u>	<u>*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes), filed as Exhibit 4.22 to the Abbott Laboratories 2016 Annual Report on Form 10-K.</u>
<u>4.19</u>	<u>*Form of 2.800% Notes due 2020, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.</u>
<u>4.20</u>	<u>*Form of 3.875% Notes due 2025, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.</u>
<u>4.21</u>	<u>*Form of 4.75% Notes due 2043, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated March 22, 2017.</u>
<u>4.22</u>	<u>*Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.000% Notes due 2018, 2.800% Notes due 2020, 3.25% Notes due 2023, 3.875% Notes due 2025, and 4.75% Notes due 2043 (including form of notes), filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report on Form 10-Q for the period ended March 31, 2017.</u>
<u>4.23</u>	<u>†Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.</u>
<u>4.24</u>	<u>†Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.</u>
<u>4.25</u>	<u>†Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.</u>
<u>4.26</u>	<u>†Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.</u>
<u>4.27</u>	<u>*Form of Seventh Supplemental Indenture between St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.3 to the Abbott Laboratories Registration Statement on Form S-4 dated February 21, 2017.</u>
<u>4.28</u>	<u>*Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.</u>

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<u>4 29</u>	<u>*First Supplemental Indenture dated September 27, 2018, among Abbott Ireland Financing DAC, as issuer, Abbott Laboratories, as guarantor, U.S. Bank National Association, as trustee, Flayon Financial Services DAC, U.K. Branch, as paying agent and transfer agent, and Flayon Financial Services DAC, as registrar, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018.</u>
<u>4 30</u>	<u>*Form of 0.000% Note due 2020 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).</u>
<u>4 31</u>	<u>*Form of 0.875% Note due 2023 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).</u>
<u>4 32</u>	<u>*Form of 1.500% Note due 2026 (included in Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated September 27, 2018).</u>
	Other debt instruments are omitted in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the Securities and Exchange Commission upon request.
<u>10 1</u>	<u>*Supplemental Plan Abbott Laboratories Extended Disability Plan, filed as an exhibit (pages 50-51) to the 1992 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 2</u>	<u>*Abbott Laboratories Deferred Compensation Plan, as amended, filed as Exhibit 10.2 to the 2017 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 3</u>	<u>*Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 4</u>	<u>*Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 5</u>	<u>*1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 6</u>	<u>*1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 7</u>	<u>*Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 8</u>	<u>*Abbott Laboratories 1996 Incentive Stock Program, as amended and restated through the 6th Amendment February 20, 2009, filed as Exhibit 10.11 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.**</u>
<u>10 9</u>	<u>*Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 10</u>	<u>*Abbott Laboratories 2017 Incentive Stock Program (incorporated by reference to Exhibit B of Abbott's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 17, 2017)</u>
<u>10 11</u>	<u>*Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated, filed as Exhibit 10.10 to the 2016 Abbott Laboratories Annual Report on Form 10-K.**</u>
<u>10 12</u>	<u>*Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**</u>



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- 10.13 \*Form of Employee Stock Option Agreement for a new Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005 \*\*
- 10.14 \*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2006 \*\*
- 10.15 \*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 20, 2009, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated February 20, 2009 \*\*
- 10.16 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009 \*\*
- 10.17 \*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009 \*\*
- 10.18 \*Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009 \*\*
- 10.19 \*Form of Restricted Stock Unit Agreement (ratably vested), filed as Exhibit 10.37 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.20 \*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested), filed as Exhibit 10.38 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.21 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based), filed as Exhibit 10.39 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.22 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.23 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based), filed as Exhibit 10.41 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.24 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.25 \*Form of Restricted Stock Unit Agreement (cliff vested), filed as Exhibit 10.43 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.26 \*Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.27 \*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested), filed as Exhibit 10.45 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*

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- 10.28 \*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.29 \*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.30 \*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.31 \*Form of Restricted Stock Unit Agreement for Participants in France, filed as Exhibit 10.49 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.32 \*Form of Restricted Stock Agreement (ratably vested), filed as Exhibit 10.50 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.33 \*Form of Restricted Stock Agreement for executive officers (ratably vested), filed as Exhibit 10.51 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.34 \*Form of Performance Restricted Stock Agreement (annual performance based), filed as Exhibit 10.52 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.35 \*Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.36 \*Form of Performance Restricted Stock Agreement (interim performance based), filed as Exhibit 10.54 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.37 \*Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.38 \*Form of Restricted Stock Agreement (cliff vested), filed as Exhibit 10.56 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.39 \*Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.40 \*Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.41 \*Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.42 \*Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.43 \*Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.44 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*
- 10.45 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K \*\*

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- 10.46 \*Form of Restricted Stock Unit Agreement (tatably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.47 \*Form of Restricted Stock Unit Agreement for foreign employees (tatably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.48 \*Form of Restricted Stock Unit Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.49 \*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.50 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.51 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.52 \*Form of Restricted Stock Agreement (tatably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.53 \*Form of Restricted Stock Agreement (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.9 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.54 \*Form of Performance Restricted Stock Agreement (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.10 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.55 \*Form of Performance Restricted Stock Agreement (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.11 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.56 \*Form of Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.12 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.57 \*Form of Non-Qualified Stock Option Agreement for foreign employees under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.13 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.58 \*Form of Restricted Stock Unit Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.14 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.59 \*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.15 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*

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- 10.60 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.16 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.61 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.17 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.62 \*Form of Restricted Stock Agreement for executive officers (ratably vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.18 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.63 \*Form of Restricted Stock Agreement for executive officers (cliff vested) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.19 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.64 \*Form of Performance Restricted Stock Agreement for executive officers (annual performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.20 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.65 \*Form of Performance Restricted Stock Agreement for executive officers (interim performance based) under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.21 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.66 \*Form of Non-Qualified Stock Option Agreement for executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.22 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.67 \*Form of Non-Qualified Stock Option Agreement for foreign executive officers under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.23 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.68 \*Form of Non-Employee Director Restricted Stock Unit Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.24 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.69 \*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.25 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.70 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.26 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.71 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors under the Abbott Laboratories 2017 Incentive Stock Program, filed as Exhibit 10.27 to the Abbott Laboratories Current Report on Form 8-K dated April 28, 2017 \*\*
- 10.72 \*Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012 \*\*

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<u>10.73</u>	<u>*Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2018, filed as Exhibit 10.49 to the 2016 Abbott Laboratories Annual Report on Form 10-K **</u>
<u>10.74</u>	<u>Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2020 **</u>
<u>10.75</u>	<u>*Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 **</u>
<u>10.76</u>	<u>*2004 Stock Incentive Plan, as amended and restated, filed as Exhibit 4.5 to the Abbott Laboratories Registration Statement on Form S-8 dated March 20, 2009 **</u>
<u>10.77</u>	<u>†St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015 **</u>
<u>10.78</u>	<u>†Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013 **</u>
<u>10.79</u>	<u>†Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013 **</u>
<u>10.80</u>	<u>†Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013 **</u>
<u>10.81</u>	<u>*Management Savings Plan, as amended and restated, filed as Exhibit 10.83 to the 2017 Abbott Laboratories Annual Report on Form 10-K **</u>
<u>10.82</u>	<u>Five Year Credit Agreement, dated as of November 30, 2018, among Abbott Laboratories, various financial institutions, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent.</u>
<u>21</u>	<u>Subsidiaries of Abbott Laboratories.</u>
<u>23.1</u>	<u>Consent of Independent Registered Public Accounting Firm.</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).</u>

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.

10-K  
Exhibit  
Table  
Item No.

32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- 101 The following financial statements and notes from the Abbott Laboratories Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 22, 2019, formatted in XBRL: (i) Consolidated Statement of Earnings, (ii) Consolidated Statement of Comprehensive Income, (iii) Consolidated Statement of Cash Flows, (iv) Consolidated Balance Sheet, (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.

\* Incorporated herein by reference Commission file number 1-2189.

\*\* Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

+ Incorporated herein by reference Commission file number 1-12441

Abbott will furnish copies of any of the above exhibits to a shareholder upon written request to the Secretary, Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400

(c) Financial Statement Schedule filed (page 115)

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Abbott Laboratories has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

### ABBOTT LABORATORIES

By s/ MILES D. WHITE

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

Date February 22, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Abbott Laboratories on February 22, 2019 in the capacities indicated below

/s/ MILES D. WHITE

Miles D. White  
Chairman of the Board, Chief Executive Officer  
and Director of Abbott Laboratories  
(principal executive officer)

/s/ BRIAN B. YOOR

Brian B. Yoor  
Executive Vice President, Finance  
and Chief Financial Officer  
(principal financial officer)

/s/ ROBERT E. FUNCK

Robert E. Funck  
Senior Vice President, Finance and Controller  
(principal accounting officer)

/s/ ROBERT J. ALPERN, M.D.

Robert J. Alpern, M.D.  
Director of Abbott Laboratories

/s/ ROXANNE S. AUSTIN

Roxanne S. Austin  
Director of Abbott Laboratories

/s/ SALLY E. BLOUNT, PH.D.

Sally E. Blount, Ph.D.  
Director of Abbott Laboratories

/s/ MICHELLE A. KUMBIER

Michelle A. Kumbier  
Director of Abbott Laboratories

/s/ EDWARD M. LIDDY

Edward M. Liddy  
Director of Abbott Laboratories

/s/ NANCY MCKINSTRY

Nancy McKinstry  
Director of Abbott Laboratories

/s/ PHEBE N. NOVAKOVIC

Phebe N. Novakovic  
Director of Abbott Laboratories

/s/ SAMUEL C. SCOTT III

Samuel C. Scott III  
Director of Abbott Laboratories

/s/ JOHN G. STRATTON

John G. Stratton  
Director of Abbott Laboratories

/s/ WILLIAM A. OSBORN

William A. Osborn  
Director of Abbott Laboratories

/s/ DANIEL J. STARKS

Daniel J. Starks  
Director of Abbott Laboratories

/s/ GLENN F. TILTON

Glenn F. Tilton  
Director of Abbott Laboratories



**ABBOTT LABORATORIES AND SUBSIDIARIES**  
**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
(in millions of dollars)

<u>Allowances for Doubtful Accounts and Product Returns</u>	<u>Balance at Beginning of Year</u>	<u>Provisions/ Charges to Income</u>	<u>Amounts Charged Off and Other Deductions</u>	<u>Balance at End of Year</u>
2018	\$ 294	\$ 110	\$ (90)	\$ 314
2017	250	105	(61)	294
2016	337	92	(179)	250

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of Abbott Laboratories

**Opinion on the Financial Statement Schedule**

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated February 22, 2019 (included elsewhere in this Annual Report on Form 10-K). Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K (the "schedule"). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 22, 2019

[Date]

To: [Executive]

Re: CIC Agreement Extension

Abbott's Board of Directors recently extended your Change in Control (CIC) agreement. Its term now continues through December 31, 2020. The CIC agreement provides you with financial, health and welfare benefits in the event of a Change in Control. No action is required on your part to continue participation in the CIC agreement.

You are hereby notified that your current Change in Control Agreement, which was set to expire on December 31, 2018, has been extended to December 31, 2020.

Please retain a copy of this Notification of Extension with your important records.

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U.S. \$5,000,000,000

**FIVE YEAR CREDIT AGREEMENT**

Dated as of November 30, 2018

among

**ABBOTT LABORATORIES,**  
*as Borrower,*

and

**VARIOUS FINANCIAL INSTITUTIONS,**  
*as Lenders,*

and

**JPMORGAN CHASE BANK, N.A.,**  
*as Administrative Agent,*

and

**BARCLAYS BANK PLC**  
**BANK OF AMERICA, N.A.**  
and  
**MORGAN STANLEY SENIOR FUNDING, INC.**  
*as Syndication Agents*

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**JPMORGAN CHASE BANK, N.A.,**  
**BARCLAYS BANK PLC**  
**MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED**  
and  
**MORGAN STANLEY SENIOR FUNDING, INC.**  
*Joint Lead Arrangers and Joint Book Runners*

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#### SCHEDULES

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#### EXHIBITS

Exhibit A	—	Form of Notice of Borrowing
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Exhibits C-1 – C-4	—	Forms of U.S. Tax Compliance Certificate

## FIVE YEAR CREDIT AGREEMENT

Dated as of November 30, 2018

ABBOTT LABORATORIES, a corporation organized and existing under the Laws of the State of Illinois (the "Borrower"), the Lenders (as defined below) that are parties hereto, and JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent (together with any successor thereto appointed pursuant to Article VII, the "Administrative Agent") for the Lenders, agree as follows

### ARTICLE I

#### DEFINITIONS AND ACCOUNTING TERMS

##### SECTION 1 01 Certain Defined Terms

As used in this Five Year Credit Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time, this "Agreement"), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"2014 Credit Agreement" means the Five Year Credit Agreement, dated as of July 10, 2014, by and among the Borrower, Bank of America, N.A. as administrative agent, and the lenders party thereto.

"Additional Lender" has the meaning specified in Section 2 05(c)

"Administrative Agent" has the meaning specified in the recital of parties to this Agreement.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule II, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders

"Administrative Questionnaire" means an administrative questionnaire in the form supplied by the Administrative Agent

"Advance" means any advance made by a Lender to the Borrower as part of a Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Advance).

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 10% or more of the Voting Stock of such Person or to direct or cause the direction of the management and

policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise

"Agent Parties" has the meaning specified in Section 8.02(c)

"Agents" means, collectively, the Administrative Agent, the Syndication Agents and the Arrangers

"Agreement Value" means, with respect to any Hedge Agreement at any date of determination, the amount, if any, that would be payable to any bank thereunder in respect of the "agreement value" under such Hedge Agreement if such Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance

"Applicable Margin" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below

	Public Debt Rating S&P/Moody's	Applicable Margin for Eurodollar Rate Advances	Applicable Margin for Base Rate Advances
Level 1	AA-/Aa3 or above	0.625%	0.000%
Level 2	Less than Level 1 but at least A+/A1	0.750%	0.000%
Level 3	Less than Level 2 but at least A/A2	0.875%	0.000%
Level 4	Less than Level 3 but at least A- A3	1.000%	0.000%
Level 5	Less than Level 4 but at least Baa1/BBB+	1.125%	0.125%
Level 6	Less than Level 5 but at least Baa2/BBB	1.250%	0.250%
Level 7	Less than Level 6	1.500%	0.500%

"Applicable Percentage" means, in the case of the commitment fee paid pursuant to Section 2.04(a), as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

	Public Debt Rating S&P/Moody's	Applicable Percentage
Level 1	AA-/Aa3 or above	0.045%
Level 2	Less than Level 1 but at least A+/A1	0.050%
Level 3	Less than Level 2 but at least A/A2	0.070%
Level 4	Less than Level 3 but at least A- A3	0.090%
Level 5	Less than Level 4 but at least Baa1/BBB+	0.100%
Level 6	Less than Level 5 but at least Baa2/BBB	0.125%
Level 7	Less than Level 6	0.175%



**"Arrangers"** means JPMorgan, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Bank of America Corporation's or any of its subsidiaries' investment banking, commercial lending services or related business may be transferred following the date of this Agreement), and Morgan Stanley Senior Funding, Inc.

**"Assignment and Acceptance"** means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit B hereto.

**"Attributable Debt"** means (except as otherwise provided in this paragraph), as to any particular lease under which any Person is at the time liable for a term of more than 12 months, at any date as of which the amount thereof is to be determined (the "**determination date**"), the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding any subsequent renewal or other extension options held by the lessee), discounted from the respective due dates thereof to the determination date at the rate of 8% per annum, compounded monthly. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, services, insurance, Taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales or monetary inflation). If (a) any such lease is terminable by the lessee upon the payment of a penalty, (b) the terms of such lease provide that the termination right is not exercisable until after the determination date and (c) the amount of such penalty discounted to the determination date at the rate of 8% per annum compounded monthly is less than the net amount of rentals payable after the time as of which such termination could occur (the "**termination time**") discounted to the determination date at the rate of 8% per annum compounded monthly, then such discounted penalty amount shall be used instead of such discounted amount of net rentals payable after the termination time in calculating the Attributable Debt for such lease. If (i) any such lease is terminable by the lessee upon the payment of a penalty, (ii) such termination right is exercisable on the determination date and (iii) the amount of the net rentals payable under such lease after the determination date discounted to the determination date at the rate of 8% per annum compounded monthly is greater than the amount of such penalty, the Attributable Debt for such lease as of such determination date shall be equal to the amount of such penalty.

**"Bail-In Action"** means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

**"Bail-In Legislation"** means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing Law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as reasonably determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as reasonably determined by the Administrative Agent), and (c) the Eurodollar Rate for a one month Interest Period (but not less than 0.00%) plus 1.00%, provided that if the Base Rate as determined pursuant to the foregoing would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Base Rate Advance" means an Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Internal Revenue Code or (c) any Persons whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Internal Revenue Code) the assets of any such "employee benefit plan" or "plan".

"Borrowed Debt" means any Debt for money borrowed represented by notes, bonds, debentures or other similar evidences of Debt for money borrowed.

"Borrower" has the meaning specified in the recital of parties to this Agreement.

"Borrower Materials" has the meaning specified in Section 5.01(i).

"Borrowing" means a borrowing consisting of Advances of the same Type made, Converted or continued on the same date and, in the case of Eurodollar Rate Advances, as to which a single Interest Period is in effect.

"Borrowing Minimum" means \$10,000,000.

"Borrowing Multiple" means \$1,000,000.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, New York City or Chicago and, if such day relates to any Eurodollar Rate Advance, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank Eurodollar market.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"Closing Date" means the date on which each of the conditions set forth in Section 3.01 have been satisfied (or waived in accordance with Section 8.01).

"Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance or Lender Joinder Agreement, the Dollar amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d), in each case as such commitment may be increased or reduced from time to time pursuant to the terms hereof. The aggregate amount of the Commitments as of the Closing Date is \$5,000,000,000 as such commitment may be reduced thereafter in accordance with Section 2.05 or 6.01 or increased thereafter in accordance with Section 2.05(d).

"Commitment Termination Date" means the earlier of (i) the date that is the fifth anniversary of the Closing Date, as such date may be extended with respect to any Consenting Lender pursuant to Section 2.05(d), and (ii) the date on which the Commitments are terminated. Following such extension, unless otherwise specified herein, the term "Commitment Termination Date" shall mean the Commitment Termination Date as so extended.

"Consenting Lender" has the meaning specified in Section 2.05(d).

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Debt" means, as of any date of determination, the aggregate amount of indebtedness for borrowed money, including indebtedness for borrowed money represented by notes, bonds, debentures or other similar evidences of indebtedness for borrowed money, of the Borrower and its Subsidiaries on a Consolidated basis in accordance with GAAP.

"Consolidated Group" means the Borrower and its Subsidiaries.

"Consolidated Net Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities, as set forth on the Consolidated balance sheet of the Consolidated Group most recently furnished to the Lenders pursuant to Section 5.01(i)(ii) prior to the time as of which Consolidated Net Assets shall be determined.

"Consolidated Net Worth" means, at any date of determination, (a) total assets of the Borrower and its Subsidiaries (including, without limitation, all items that are treated as intangibles in accordance with GAAP) at such date *less* (b) total liabilities of the Borrower and its Subsidiaries (including, without limitation, all deferred Taxes) at such date, in each case determined in accordance with GAAP on a Consolidated basis.

"Continuing Director" means, for any period, an individual who is a member of the board of directors of the Borrower on the first day of such period or whose election to the board of directors of the Borrower is approved by a majority of the other Continuing Directors.

"Conversion", "Convert", or "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below directly guaranteed in any manner by such Person, or the payment of which is otherwise provided for by such Person, and (i) all Debt referred to in clauses (a) through (h) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect

"Declining Lender" has the meaning specified in Section 2.05(d)

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both

"Default Interest" has the meaning specified in Section 2.07(b)

"Defaulting Lender" means, subject to Section 2.19(b), any Lender that (a) has failed to (i) fund all or any portion of its Advances within two Business Days of the date such Advances were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund an Advance hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such

writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided) that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, (iii) become an Embargoed Lender or (iv) become the subject of a Bail-in Action, provided that for the avoidance of doubt, a Lender shall not be a Defaulting Lender solely by virtue of (A) the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority or (B) in the case of a solvent Person, the precautionary appointment of an administrator, guardian or custodian or similar official by a Governmental Authority under or based on the Law of the country where such Person is organized if the applicable Law of such jurisdiction requires that such appointment not be publicly disclosed, in any such case, where such ownership or action, as applicable, does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding as to such Lender absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.19(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

"Designated Jurisdiction" means any country, region or territory that is, or has a government that is, subject to comprehensive country-wide economic or financial sanctions or trade embargoes imposed, administered or enforced by any Person listed in the definition of "Sanction(s)"

"Division" means the division of the assets, liabilities and/or obligations of a Person (the "Dividing Person") among two or more Persons (whether pursuant to a "plan of division" or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

"Dollars" and the "\$" sign each means lawful currency of the United States.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance, pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"Domestic Subsidiary" means any Subsidiary of the Borrower substantially all the property of which is located, or substantially all of the business of which is carried on, within the United States (excluding its territories and possessions and Puerto Rico), provided, however, that the term shall not include any Subsidiary of the Borrower which (a) is engaged principally in the financing of operations outside of the United States or in leasing personal property or financing inventory, receivables or other property or (b) does not own a Principal Domestic Property

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender, (c) a commercial bank organized under the Laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000, (d) a commercial bank organized under the Laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); and (e) any other Person approved by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, by the Borrower, such approval not to be unreasonably withheld or delayed, provided, however, that no Defaulting Lender (or Person who would be a Defaulting Lender upon becoming a Lender) nor the Borrower nor any Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Embargoed Lender" means any Lender (a) that is the subject of any Sanctions or (b) that is located, organized or resident in any Designated Jurisdiction.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any

governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief

“Environmental Law” means any federal, state, local or foreign statute, Law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder

“ERISA Affiliate” means any Person that for purposes of Title IV of ERISA is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code

“ERISA Event” means:

(a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are being met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days;

(b) the application for a minimum funding waiver with respect to a Plan;

(c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA),

(d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(c) of ERISA,

(e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA,

(f) the conditions for the imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan, or

(g) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of, or the appointment of a trustee to administer, a Plan

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"Eurocurrency Liabilities" has the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office, branch, subsidiary or affiliate of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent

"Eurodollar Rate" means,

(a) for any Interest Period with respect to a Eurodollar Rate Advance, the rate per annum equal to (i) the London Interbank Offered Rate ("LIBOR") as published on the applicable Bloomberg screen page (or other comparable commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time), at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period (the "Screen Rate") or (ii) if such published rate is not available at such time for any reason, a comparable or successor rate which rate is approved by the Administrative Agent and reported to the Borrower,

(b) for any interest rate calculation with respect to a Base Rate Advance on any date, the rate per annum equal to LIBOR, at approximately 11:00 a.m., London time determined two Business Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that date, and

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(c) if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement,

*provided that to the extent a comparable or successor rate is approved by the Administrative Agent and reported to the Borrower in connection with any rate set forth in this definition, the approved rate shall be applied in a manner consistent with market practice; provided, further, that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner (x) as otherwise reasonably determined by the Administrative Agent and (y) that is consistent with the manner in which the Administrative Agent is applying such rate to similarly situated borrowers*

"Eurodollar Rate Advance" means an Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(ii)

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Lender or the Administrative Agent or required to be withheld or deducted from a payment to any Lender or the Administrative Agent: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Lender or the Administrative Agent being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender pursuant to a law in effect on the date such Lender becomes a party to this Agreement (or designates a new Applicable Lending Office), except to the extent that such Lender (or its assignor, if any) was entitled, on the date of designation of a new Applicable Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.14(a)(ii) or Section 2.14(c), (c) Taxes attributable to a failure by such Lender or the Administrative Agent to comply with Section 2.14(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"Existing Commitment Termination Date" has the meaning specified in Section 2.05(e)

"Extension Date" has the meaning specified in Section 2.05(d).

"FATCA" means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code, any published intergovernmental agreement entered into in connection with the implementation of such Sections of the

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Internal Revenue Code and any fiscal or regulatory legislation adopted pursuant to such published intergovernmental agreements

"Federal Funds Effective Rate" means, for any day, the rate calculated by the Federal Reserve Bank of New York based on such day's federal funds transactions by depository institutions, as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time, and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the effective federal funds rate, provided that if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement

"Federal Funds Rate" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day), provided that if none of such rates are published for any day that is a Business Day, the term "Federal Funds Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received by the Administrative Agent from a federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates as so determined shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Fee Letter" means the Fee Letter dated as of November 6, 2018 among the Borrower, the Arrangers and the Administrative Agent

"Foreign Lender" means a Lender that is not a U.S. Person

"Funded Debt" means Debt of the Borrower (other than Debt in respect of the Advances or Debt subordinated in right of payment to the Advances) or Debt of any wholly-owned Domestic Subsidiary, for money borrowed, having a stated maturity of more than 12 months from the date of application of sale leaseback proceeds or which is extendible at the option of the obligor thereon to a date more than 12 months from the date of such application.

"GAAP" has the meaning specified in Section 1.03

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as "hazardous" or "toxic" or as a "pollutant" or "contaminant" under any Environmental Law

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements

"Increase Effective Date" has the meaning specified in Section 2.05(c)

"Increasing Lender" has the meaning specified in Section 2.05(c).

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes

"Information" has the meaning specified in Section 8.08

"Information Memorandum" means the information memorandum dated November 2018 used by the Arrangers in connection with the syndication of the Commitments.

"Initial Lenders" has the meaning specified in the definition of "Lenders".

"Interest Election Request" means a request by the Borrower to Convert or continue a Borrowing in accordance with Section 2.09.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the continuation of, or Conversion of any Base Rate Advance into, such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or in any case at such later time as the Administrative Agent, in its reasonable discretion, may agree to), select, provided, however, that (a) the Borrower may not select any Interest Period that ends after the latest then-effective Commitment Termination Date, (b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration (it being understood that the Borrower shall be permitted to make multiple Borrowings consisting of Eurodollar Rate Advances on the same date, each of which may be of different durations), (c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next succeeding calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and (d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal

to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder

"IRS" means the United States Internal Revenue Service.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of Law

"Lender Joinder Agreement" means a joinder agreement in a form reasonably satisfactory to the Administrative Agent delivered in connection with Section 2.05(c)

"Lenders" means, collectively, (a) each bank, financial institution and other institutional lender listed on the signature pages hereof (each, an "Initial Lender") and (b) each Eligible Assignee that shall become a party hereto pursuant to Section 8.07(a), (b) and (c)

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property

"Loan Documents" means this Agreement and any Lender Joinder Agreements, notes, security agreements or other documents entered into in connection herewith, each as amended, restated, supplemented, waived or otherwise modified from time to time

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under this Agreement, taken as a whole, or (c) the ability of the Borrower to perform its obligations under this Agreement

"Moody's" means Moody's Investors Service, Inc. (or any successor thereof)

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any

ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated

"Non-Defaulting Lender" means, at any time, a Lender that is not a Defaulting Lender.

"Notice of Borrowing" has the meaning specified in Section 2 02(a)

"NPL" means the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time

"OFAC" means the U.S. Treasury Department's Office of Foreign Assets Control

"Other Connection Taxes" means, with respect to any Lender or the Administrative Agent, Taxes imposed as a result of a present or former connection between such Lender or the Administrative Agent and the jurisdiction imposing such Tax (other than connections arising from such Lender or the Administrative Agent having executed, delivered, become a party to, performed its obligations under, received payments under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Advance or Loan Document)

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to the first parenthetical clause in Section 8 07(a))

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight eurodollar borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York as set forth on its public website from time to time, and published on the next succeeding Business Day by the Federal Reserve Bank of New York as an overnight bank funding rate.

"Participant Register" has the meaning specified in Section 8 07(e)

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor thereto).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof

"Plan" means a Single Employer Plan or a Multiple Employer Plan

"Plan Asset Regulations" means 29 CFR § 2510 3-101 et seq., as modified by Section 3(42) of ERISA, as amended from time to time.

"Platform" has the meaning specified in Section 5.01(i).

"Principal Domestic Property" means any building, structure or other facility, together with the land upon which it is erected and fixtures comprising a part thereof, used primarily for manufacturing, processing, research, warehousing or distribution and located in the United States (excluding its territories and possessions and Puerto Rico) owned or leased by a member of the Consolidated Group the net book value of which on the date as of which the determination is being made exceeds 2% of Consolidated Net Assets, other than any such building structure or other facility or portion of any thereof (a) which is an air or water pollution control facility financed by obligations issued by a State or local governmental unit or (b) which the Chief Executive Officer, any President, the Chief Financial Officer, the Controller or the Treasurer of the Borrower determines in good faith is not of material importance to the total business conducted, or assets owned, by the Consolidated Group taken as a whole

"Proceeding" has the meaning specified in Section 8.04(b).

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Public Debt Rating" means, as of any date of determination, the rating as determined by S&P or Moody's of the Borrower's long-term unsecured senior debt; provided, that (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin, as applicable, shall be determined by reference to the available Public Debt Rating, (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin, as applicable, shall be set in accordance with Level VII of the definition of Applicable Percentage or Applicable Margin, as the case may be, until such time as either S&P or Moody's shall have in effect a Public Debt Rating, (c) if the Public Debt Ratings established by S&P and Moody's shall fall within different levels, the Applicable Percentage and the Applicable Margin, as applicable, shall be based upon the higher of such Public Debt Ratings, except that in the event that the lower of such Public Debt Ratings is more than one level below the higher of such Public Debt Ratings, the Applicable Percentage and the Applicable Margin, as applicable, shall be based upon the level immediately below the higher of such Public Debt Ratings; (d) if any Public Debt Rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change and (e) if S&P or Moody's shall change the basis on which Public Debt Ratings are

established, each reference to the Public Debt Ratings announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be

"Register" has the meaning specified in Section 8.07(d).

"Related Parties" means, with respect to any Person, such Person's Affiliates, and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates

"Related Person" means, as to any Indemnified Party, (a) any controlling Person, controlled Affiliate or Subsidiary of such Indemnified Party, (b) the respective directors, officers or employees of such Indemnified Party or any of its Subsidiaries, controlled Affiliates or controlling Persons and (c) the respective agents and advisors of such Indemnified Party or any of its Subsidiaries, controlled Affiliates or controlling Persons.

"Removal Effective Date" has the meaning specified in Section 7.06(b).

"Required Lenders" means, at any time, Lenders holding more than 50% of the Commitments at such time or, if the Commitments have been terminated at such time pursuant to Section 2.05 or 6.01, Lenders owed more than 50% of the aggregate unpaid principal amount of the Advances owing to Lenders at such time, provided that the Commitment of, and the Advances held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Resignation Effective Date" has the meaning specified in Section 7.06(a).

"Responsible Officer" means the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the Controller, any Assistant Treasurer, the Director, Capital Markets and Global Treasury Operations and the General Counsel of the Borrower (or other executive officer of the Borrower performing similar functions) or any other officer of the Borrower responsible for overseeing or reviewing compliance with this Agreement

"Revised Percentage" has the meaning specified in Section 2.05(c).

"S&P" means S&P Global Ratings, a division of S&P Global Inc., or any successor to its rating agency business

"Sale and Leaseback Transaction" has the meaning specified in Section 5.02(c).

"Sanction(s)" means any economic or trade sanction enacted, imposed, administered or enforced by the United States Government (including, without limitation, the U.S. Department of State and OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority in a jurisdiction material to the Borrower and its Subsidiaries taken as a whole

"Screen Rate" has the meaning set forth in the definition of "Eurodollar Rate"

"Significant Subsidiary" means any Subsidiary of the Borrower that constitutes a "significant subsidiary" under Regulation S-X promulgated by the Securities and Exchange Commission, as in effect from time to time

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated

"Subsidiary" means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Syndication Agents" means Barclays Bank PLC, Bank of America, N.A., and Morgan Stanley Senior Funding, Inc.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other like charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Total Capitalization" means Consolidated Debt plus Consolidated Net Worth.

"Type" has the meaning specified in the definition of "Advance".

"United States" and "U.S." each means the United States of America.

"U.S. Person" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code.

"U.S. Tax Compliance Certificate" has the meaning specified in Section 2.14

"Voting Stock" means shares of capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right to vote has been suspended by the happening of such a contingency

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the word "through" means "through and including" and each of the words "to" and "until" mean "to but excluding".

SECTION 1.03 Accounting Terms, Interpretative Provisions. Except as otherwise expressly provided herein, all accounting terms not specifically defined herein shall be construed in accordance with, and all financial data (including financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, generally accepted accounting principles as in effect in the United States from time to time ("GAAP"). If at any time any change in GAAP would affect the calculation of any covenant set forth herein and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such covenant to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (a) such covenant shall continue to be calculated in accordance with GAAP prior to such change and (b) the Borrower shall provide to the Administrative Agent and the Lenders, concurrently with the delivery of any financial statements or reports with respect to such covenant, statements setting forth a reconciliation between calculations of such covenant made before and after giving effect to such change in GAAP.

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Commitment Termination Date in an aggregate amount not to exceed at any time outstanding such Lender's Commitment. Each Borrowing shall be in an aggregate amount equal to the Borrowing Minimum or a Borrowing Multiple in excess thereof and shall consist of Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02 Making the Advances

(a) Each Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing (or at such later time as the Administrative Agent, in its reasonable discretion, may agree to) in the



case of a Borrowing consisting of Eurodollar Rate Advances or (y) 11:00 A.M. (New York City time) on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier or other electronic communication. Each notice of a Borrowing shall be by notice in substantially the form of Exhibit A hereto or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent) (a) "Notice of Borrowing", specifying therein the requested (i) date of such Borrowing (which shall be a Business Day), (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, (iv) initial Interest Period for such Advance, if such Borrowing is to consist of Eurodollar Rate Advances and (v) account or accounts in which the proceeds of the Borrowing should be credited. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Borrowing make available for the account of its Applicable Lending Office to the Administrative Agent at the applicable Administrative Agent's Office, in same day funds, such Lender's ratable portion of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower in immediately available funds to the account or accounts specified by the Borrower to the Administrative Agent in the Notice of Borrowing relating to the applicable Borrowing.

(b) Anything in Section 2.02(a) to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Borrowing if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than ten separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any reasonable loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that any Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to pay or to repay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such

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amount is paid or repaid to the Administrative Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Advances comprising such Borrowing and (B) the cost of funds incurred by the Administrative Agent in respect of such amount and (ii) in the case of such Lender, the Federal Funds Rate. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for all purposes of this Agreement. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

(f) If any Lender makes available to the Administrative Agent funds for any Advance to be made by such Lender as provided herein, and such funds are not made available to a Borrower by the Administrative Agent because the conditions to such Borrowing are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

SECTION 2.03 [Reserved]

SECTION 2.04 Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Administrative Agent, for the account of each Lender (other than a Defaulting Lender for such time as such Lender is a Defaulting Lender), a commitment fee on the actual daily amount of such Lender's unused Commitment at a rate per annum equal to the Applicable Percentage, payable in arrears quarterly on the last Business Day of each March, June, September and December, and on the Commitment Termination Date.

(b) Additional Fees. The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

SECTION 2.05 Termination, Reduction or Increase of the Commitments; Extension of the Commitment Termination Date.

(a) Ratable Reduction or Termination. The Borrower shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof; provided, further, that the aggregate amount of the Commitments shall not be reduced to an amount that is less than the aggregate principal amount of Advances then outstanding; and provided, further, that any such notice may state that

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such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied

(b) Defaulting Lender Commitment Reductions The Borrower may terminate the unused amount of the Commitments of any Lender that is a Defaulting Lender upon not less than three Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), it being understood that notwithstanding such Commitment termination, the provisions of Section 2.19(c) will continue to apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts), provided that such termination shall not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent or any Lender may have against such Defaulting Lender

(c) Increase The Borrower may, from time to time, by means of a notice delivered to the Administrative Agent, request that the aggregate amount of the Commitments be increased by (i) increasing the amount of the Commitment of one or more Lenders that have agreed (in their sole and individual discretion) to such increase (each an "Increasing Lender") and/or (ii) adding one or more Eligible Assignees as parties hereto (each an "Additional Lender") with Commitments in amounts agreed to by such Additional Lenders; provided that (A) any such increase shall be in an aggregate amount of \$50,000,000 or a higher integral multiple of \$5,000,000, (B) no Additional Lender shall be added as a party hereto without the written consent of the Administrative Agent to the extent such consent would be required for an assignment to such Additional Lender pursuant to Section 8.07 (which consent shall not be unreasonably withheld, conditioned or delayed), (C) the aggregate Commitments after giving effect to any such increase shall not exceed \$7,000,000,000, and (D) as a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate dated as of the Increase Effective Date (as defined below) signed by a Responsible Officer of the Borrower certifying that before and after giving effect to such increase (1) no Default has occurred and is continuing as of the date of such increase or would result from such increase and (2) each of the representations and warranties set forth in Section 4.01 are true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of the date of such increase, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date, provided, that for purposes of this Section 2.05(c), the representations and warranties contained in Section 4.01(e) shall be deemed to refer to the most recent statements furnished pursuant to Section 5.01(i)(i) and 5.01(i)(ii). Any such increase in Commitments shall be effected pursuant to one or more Lender Joinder Agreements executed and delivered by the Borrower, the Administrative Agent and the Increasing Lenders and/or Additional Lenders, as applicable (the date on which such Lender Joinder Agreement(s) are delivered, the "Increase Effective Date"). The Lender Joinder Agreement(s) may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate in the opinion of the Administrative Agent, to effect the provisions of this Section 2.05(c). On the

Increase Effective Date, (x) each Lender shall advance funds required (if any) to cause all outstanding Advances and unused Commitments to be held on a pro rata basis in accordance with the respective Commitments of each Lender after giving effect to such increase (for each Lender, its "Revised Percentage") and (y) the Administrative Agent shall use any funds so received to repay the Advances of each Lender to the extent required so that such Lender has its Revised Percentage of all outstanding Advances (it being understood that the Borrower shall be responsible for any break funding payments owing pursuant to Section 8.04(c) resulting from such repayments). The Administrative Agent shall promptly notify the Borrower and the Lenders of any increase in the amount of the Commitments pursuant to this Section 2.05(c) and of the amount of the Commitment of each Lender after giving effect thereto.

(d) Extension of the Facility The Borrower may, by written notice to the Administrative Agent (which shall promptly deliver a copy to each Lender) not more than 60 days and not less than 30 days prior to the proposed date of effectiveness of an extension (an "Extension Date"), request that the Lenders extend the Commitment Termination Date for an additional period of one year from the applicable Commitment Termination Date then in effect hereunder (the then "Existing Commitment Termination Date"), provided that in no event shall the Commitment Termination Date be extended beyond (i) the fifth anniversary of the effective date of the Extension Date and (ii) the seventh anniversary of the Closing Date. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than 15 days (or such other date specified by the Borrower in such written notice or any supplement thereto) after such written notice is delivered to the Administrative Agent, advise the Borrower whether or not it agrees to the requested extension (each Lender agreeing to a requested extension being called a "Consenting Lender" and each Lender declining to agree to a requested extension being called a "Declining Lender"). Any Lender that has not so advised the Borrower and the Administrative Agent by such day shall be deemed to have declined to agree to such extension and shall be a Declining Lender (unless such Lender subsequently agrees to such requested extension and the Borrower elects in its sole discretion to treat such Lender as a Consenting Lender). If Lenders constituting the Required Lenders shall have agreed to a Commitment Termination Date extension request, then the Commitment Termination Date shall, as to the Consenting Lenders and any Lender replacing a Declining Lender, be extended effective as of the Extension Date to the date that is one year after the then Existing Commitment Termination Date. The decision to agree or withhold agreement to any Commitment Termination Date extension request shall be at the sole discretion of each Lender. The Commitment of each Declining Lender shall terminate on the Existing Commitment Termination Date applicable to such Declining Lender. The principal amount of any outstanding Advances made by Declining Lenders, together with any accrued interest thereon and any accrued fees and other amounts payable to or for the account of such Declining Lenders hereunder, shall be due and payable on the Existing Commitment Termination Date applicable to such Declining Lender. Notwithstanding the foregoing provisions of this subsection, the Borrower shall have the right, at any time prior to any Existing Commitment Termination Date applicable to any Declining Lender, to require such Declining Lender to assign and delegate its interests, rights and obligations under this Agreement pursuant to Section 8.07 to a Lender or (solely to the extent such consent would be required for an assignment pursuant to Section 8.07, subject to the consent of the Administrative Agent (such consent not to be unreasonably withheld, conditioned or delayed)) other Eligible Assignee, that agrees to a Commitment Termination Date extension with respect to such Existing Commitment Termination Date and executes and delivers to the Administrative Agent an appropriate Assignment and Acceptance. Any such assignee shall for all purposes

hereunder constitute a Consenting Lender with respect to the applicable Commitment Termination Date extension request. Notwithstanding the foregoing, no extension of the Commitment Termination Date pursuant to this subsection shall become effective unless the Borrower shall have delivered to the Administrative Agent a certificate dated as of the Extension Date signed by a Responsible Officer of the Borrower certifying that before and after giving effect to such extension (A) no Default has occurred and is continuing as of the Extension Date or would result from such extension and (B) each of the representations and warranties set forth in Section 4.01 are true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of the Extension Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date, provided, that for purposes of this Section 2.05(d), the representations and warranties contained in Section 4.01(c) shall be deemed to refer to the most recent statements furnished pursuant to Section 5.01(i)(i) and 5.01(i)(ii). The Borrower may extend the Commitment Termination Date up to two times under this Section 2.05(d).

SECTION 2.06      Repayment of Advances. The Borrower shall repay to the Administrative Agent, for the account of each Lender on the Commitment Termination Date applicable to such Lender, the aggregate principal amount of all Advances owing to such Lender outstanding on such date.

SECTION 2.07      Interest on Advances

(a)      Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum.

(i)      Base Rate Advances. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time and (B) the Applicable Margin, payable in arrears quarterly on the last Business Day of each March, June, September and December, during such periods and on the Commitment Termination Date applicable to any Lender.

(ii)      Eurodollar Rate Advances. During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurodollar Rate for such Interest Period for such Advance, and (B) the Applicable Margin, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted, continued or paid in full.

(b) Default Interest Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent shall, upon the request of the Required Lenders, require the Borrower to pay interest ("Default Interest"), which amount shall accrue as of the date of occurrence of the Event of Default, on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in Section 2.07(a)(i) or 2.07(a)(ii), at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to Section 2.07(a)(i) or 2.07(a)(ii) and (ii) to the fullest extent permitted by Law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to Section 2.07(a)(i), provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Administrative Agent

(c) [Reserved]

SECTION 2.08 Interest Rate Determination; Alternate Rate of Interest

(a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii)

(b) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Administrative Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Advances as a part of such Borrowing during its Interest Period or (ii) the Eurodollar Rate for any Interest Period for such Advances will not adequately and fairly reflect the cost to the Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, either (1) prepay such Advances or (2) Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, continue Eurodollar Rate Advances as, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist

(c) [Reserved]

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically Convert into Base Rate Advances

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, be Converted into a Base Rate Advance (unless the Required Lenders otherwise

consent) and (ii) the obligation of the Lenders to make, continue Eurodollar Rate Advances as, or to Convert Advances into, Eurodollar Rate Advances shall be suspended

(f) Alternate Rate of Interest Notwithstanding anything to the contrary in Section 2.11, if at any time the Administrative Agent determines (which determination shall be made by notice to the Borrower and shall be conclusive and binding absent demonstrable error) that (i) fair and adequate means do not exist for ascertaining the rate of interest for any Eurodollar Rate Advance for the applicable Interest Period and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (i) have not arisen but either (A) the supervisor for the administrator of the Screen Rate has made a public statement that the administrator of the Screen Rate is insolvent (and there is no successor administrator that will continue publication of the Screen Rate), (B) the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Rate), (C) the supervisor for the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published or (D) the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower may endeavor to establish an alternate rate of interest to LIBOR that gives due consideration to the then evolving or prevailing market convention for determining a rate of interest for similar syndicated loans in the United States at such time, and may enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 8.01, in the case of any proposed alternative rate of interest, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date that a copy of the amendment is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this Section 2.08(f) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 2.08(f), only to the extent the Screen Rate for such Interest Period is not available or published at such time on a current basis), (1) any Eurodollar Rate Advances requested to be made, Converted or continued as or into, as applicable, Eurodollar Rate Advances shall automatically (in the case of Conversions or continuations, on the last day of the then existing Interest Period) be made, Converted or continued as or into, as applicable, Base Rate Advances and (2) the Administrative Agent shall compute the Base Rate without reference to the Eurodollar Rate component thereof.

Notwithstanding the foregoing, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "Eurodollar Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to

this Section 2.08(f), will be similar to, or produce the same value or economic equivalence of, the Eurodollar Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

SECTION 2.09      Interest Elections

(a) Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing and, in the case of a Eurodollar Rate Advance, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Borrower may elect to Convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Rate Advance, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Advances comprising such Borrowing, and the Advances comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by delivering to the Administrative Agent an Interest Election Request by the time that a Notice of Borrowing would be required under Section 2.02 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election.

(c) Each Interest Election Request shall specify the following information:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day.

(iii) whether the resulting Borrowing is to consist of Base Rate Advances or Eurodollar Rate Advances, and

(iv) if the resulting Borrowing is to consist of Eurodollar Rate Advances, the Interest Period to be applicable thereto (which Interest Period shall be a period contemplated by the definition of the term "Interest Period").

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

If the Borrower requests a Borrowing of Eurodollar Rate Advances but does not specify an Interest Period or fails to deliver a timely Interest Election Request with respect to a Borrowing consisting of Eurodollar Rate Advances prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein or Section 2.08(e) is

applicable thereto, at the end of such Interest Period, such Borrowing shall automatically continue as a Borrowing consisting of Eurodollar Rate Advances with an Interest Period of one month unless such Borrowing is or was repaid in accordance with Section 2.10

SECTION 2.10 Optional Prepayments of Advances The Borrower may, upon notice to the Administrative Agent stating the proposed date and aggregate principal amount of the proposed prepayment, given not later than 11:00 A.M. (New York City time) on the date (which date shall be a Business Day) of such proposed prepayment, in the case of a Borrowing consisting of Base Rate Advances, and not later than 11:00 A.M. (New York City time) at least two Business Days prior to the date of such proposed prepayment, in the case of a Borrowing consisting of Eurodollar Rate Advances, and if such notice is given, the Borrower shall, prepay the outstanding principal amount of the Advances comprising part of the same Borrowing in whole or ratably in part, and in the case of any Borrowing consisting of Eurodollar Rate Advances, together with accrued interest to the date of such prepayment on the principal amount prepaid, provided, however, that (a) each partial prepayment shall be in an aggregate principal amount of the Borrowing Minimum or a Borrowing Multiple in excess thereof and (b) if any prepayment of a Eurodollar Rate Advance is made on a date other than the last day of an Interest Period for such Eurodollar Rate Advance, the Borrower shall also pay any amount owing pursuant to Section 8.04(c), and provided, further, that, subject to clause (b) of the immediately preceding proviso, any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied

SECTION 2.11 Increased Costs, Reserves on Eurodollar Rate Loans.

(a) If, due to either (i) the introduction of or any change in or in the interpretation of any Law or regulation or (ii) the compliance with any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of Law), in each case after the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (A) Taxes as to which such Lender is indemnified under Section 2.14, (B) Excluded Taxes and (C) Other Taxes), and such Lender is generally charging, or intends to generally charge, such amounts to its customers that are similarly situated to the Borrower and with similar credit facilities, to the extent such Lender has the right under such similar credit facilities to do so (but such Lender shall not be required to disclose any confidential or proprietary information), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to such increased cost submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent demonstrable error

(b) If any Lender determines that compliance with any Law or regulation or any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or



multinational authority (whether or not having the force of Law), in each case promulgated or given after the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), affects or would affect the amount of capital or liquidity required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital or liquidity is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, and such Lender is generally charging, or intends to generally charge, such amounts to its customers that are similarly situated to the Borrower and with similar credit facilities, to the extent such Lender has the right under such similar credit facilities to do so (but such Lender shall not be required to disclose any confidential or proprietary information), the Borrower shall, from time to time upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital or liquidity to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent demonstrable error.

(c) Notwithstanding anything in this Section 2.11 to the contrary, for purposes of this Section 2.11, (i) the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder or in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines and directions promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar or successor agency, or the United States or foreign regulatory authorities, in each case, pursuant to Basel III) shall be deemed to have been enacted following the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender)

(d) The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as Eurocurrency Liabilities), additional interest on the unpaid principal amount of each Eurodollar Rate Advance equal to the actual costs of such reserves allocated to such Advance by such Lender (as determined by such Lender in good faith, which determination shall be conclusive and binding absent demonstrable error), which shall be due and payable on each date on which interest is payable on such Advance, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant interest payment date, but such Lender gives notice within 30 days after such interest payment date, such additional interest shall be due and payable 10 days from receipt of such notice.

SECTION 2.12 Illegality Notwithstanding any other provision of this Agreement, (a) if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any Law or regulation makes it unlawful, or any central bank or other Governmental Authority, including without limitation, any agency of the European Union or similar monetary or multinational authority, asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) each Eurodollar Rate Advance of such Lender will automatically, upon such notification, be Converted into a Base Rate Advance,

(ii) the obligation of such Lender to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and such Lender that the circumstances causing such suspension no longer exist and (iii) the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the Eurodollar Rate component thereof and (b) if Lenders constituting the Required Lenders so notify the Administrative Agent, (i) each Eurodollar Rate Advance of each Lender will automatically, upon such notification, Convert into a Base Rate Advance, (ii) the obligation of each Lender to make Eurodollar Rate Advances or to Convert Advances into, or to continue Eurodollar Rate Advances as, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and each Lender that the circumstances causing such suspension no longer exist and (iii) the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to each Lender without reference to the Eurodollar Rate component thereof

#### SECTION 2.13 Payments and Computations

(a) The Borrower shall make each payment required to be made by it under this Agreement not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Administrative Agent at the applicable Administrative Agent's Office in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.02(c), 2.11, 2.12(a), 2.14, 2.15 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the assignor for amounts which have accrued to but excluding the effective date of such assignment and to the assignee for amounts which have accrued from and after the effective date of such assignment. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate (other than determinations of the Base Rate made at any time by reference to the Federal Funds Rate) and of commitment fees shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent demonstrable error.

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(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be, provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent, following prompt notice thereof, forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

#### SECTION 2.14 Taxes

##### (a) Obligation to Withhold Payments on Account of Taxes

(i) Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws require the deduction or withholding of any Tax from any such payment by the Administrative Agent or the Borrower, then the Administrative Agent or the Borrower shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Administrative Agent shall be required by any applicable Laws to withhold or deduct any Taxes from any payment, then (A) the Borrower or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as required based upon the information and documentation it has received pursuant to subsection (c) below, (B) the Borrower or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 2.14) the Lender (or, as applicable, the Administrative Agent) receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes Without limiting the provisions of subsection (a) above, the Borrower shall timely pay to the relevant Governmental Authority in accordance with

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applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) **Tax Indemnifications.** (i) The Borrower shall, and does hereby, indemnify each Lender and the Administrative Agent, and shall make payment in respect thereof within 30 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.14) payable or paid by such Lender or the Administrative Agent or required to be withheld or deducted from a payment to such Lender and the Administrative Agent, and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Each Lender shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower have not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (y) the Administrative Agent against any Taxes attributable to such Lender's failure to comply with the provisions of Section 8 07(e) relating to the maintenance of a Participant Register and (z) the Administrative Agent against any Excluded Taxes attributable to such Lender that are payable or paid by the Administrative Agent or the Borrower in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii).

(d) **Evidence of Payments.** Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or by the Administrative Agent to a Governmental Authority as provided in this Section 2.14, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) **Status of Lenders, Tax Documentation.**

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested.

by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.14(e)(1)(A), 2.14(e)(1)(B) and 2.14(e)(1)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(II) executed originals of IRS Form W-8ECI,

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal

Revenue Code, (x) a certificate substantially in the form of Exhibit C-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a "10 percent shareholder" of any of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Internal Revenue Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN-F (or W-8BEN, as applicable), or

(IV) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit C-2 or Exhibit C-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit C-4 on behalf of each such direct and indirect partner,

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made, and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from

such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 2.14 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so

(f) Treatment of Certain Refunds Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Lender or the Administrative Agent determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.14, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.14 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Lender or the Administrative Agent, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of such Lender or the Administrative Agent, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Lender or the Administrative Agent in the event such Lender or the Administrative Agent is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Lender or the Administrative Agent be required to pay any amount to the Borrower pursuant to this subsection the payment of which would place such Lender or the Administrative Agent in a less favorable net after-Tax position than it would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Lender or the Administrative Agent to make available its Tax returns to the Borrower or any other Person.

SECTION 2.15 Sharing of Payments, Etc. Subject to Section 2.19 in the case of a Defaulting Lender, if any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Advances owing to it (other than pursuant to Section 2.02(c), 2.11, 2.12(a), 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (a) the amount of such Lender's required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by Law, exercise

all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation

SECTION 2 16      Use of Proceeds    The proceeds of the Advances shall be available, and the Borrower agrees that it shall use such proceeds, solely for general corporate purposes of the Borrower and its Subsidiaries.

SECTION 2 17      Evidence of Debt

(a)      Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Advances

(b)      The Register maintained by the Administrative Agent pursuant to Section 8 07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof

(c)      Entries made reasonably and in good faith by the Administrative Agent in the Register pursuant to subsection 2 17(b) above, and by each Lender in its account or accounts pursuant to subsection 2 17(a) above, shall be *prima facie* evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit, expand or otherwise affect the obligations of the Borrower under this Agreement.

(d)      Upon the request of any Lender made through the Administrative Agent, the Borrower shall prepare, execute and deliver to such Lender a promissory note of the Borrower payable to such Lender, substantially in the form of any promissory note delivered to any Lender on the Closing Date pursuant to Section 3 01(j) (or such other form reasonably approved by the Administrative Agent), which promissory note shall, in addition to the Register, evidence such Lender's Advances.

SECTION 2 18      [Reserved]

SECTION 2 19      Defaulting Lenders.

(a)      Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender (it being understood that the determination of whether a Lender is no longer a Defaulting Lender shall be made as described in Section 2.19(b)).

(i) such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to Section 2.04(a);

(ii) to the fullest extent permitted by applicable Law, such Lender will not be entitled to vote in respect of amendments and waivers hereunder, and the Commitment and the outstanding Advances of such Lender hereunder will not be taken into account in determining whether the Required Lenders or all of the Lenders, as required, have approved any such amendment or waiver (and the definition of "Required Lenders" will automatically be deemed modified accordingly for the duration of such period), provided that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender, and

(iii) the Borrower may, at its sole expense and effort, require such Defaulting Lender to assign and delegate its interests, rights and obligations under this Agreement pursuant to Section 8.07.

(b) If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will, to the extent applicable, purchase at par such portion of outstanding Advances of the other Lenders and/or make such other adjustments as the Administrative Agent may determine to be necessary to cause the Advances and unused Commitments to be on a *pro rata* basis in accordance with their respective Commitments, whereupon such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender; provided, that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

(c) Any payment of principal, interest, fees or other amounts received by the Administrative Agent hereunder for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 6.01 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 8.05 shall be applied at such time or times as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder, *second* as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as reasonably determined by the Administrative Agent; *third*, as the Borrower may request, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement, *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender.



against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, *fifth*, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or otherwise pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

SECTION 2.20      Mitigation.

(a) Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge that will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Borrower to pay any amount pursuant to Sections 2.11 or 2.14 or (ii) the occurrence of any circumstance described in Section 2.12 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Borrower and the Administrative Agent). In furtherance of the foregoing, each Lender will designate a different Applicable Lending Office if such designation will avoid (or reduce the cost to the Borrower of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Lender's good faith judgment, be otherwise disadvantageous to such Lender.

(b) Failure or delay on the part of any Lender to demand compensation pursuant to Sections 2.11 or 2.14 shall not constitute a waiver of such Lender's right to demand such compensation, provided that, notwithstanding any other provision of this Agreement, if any Lender fails to notify the Borrower of any event or circumstance which will entitle such Lender to compensation pursuant to Sections 2.11 or 2.14 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Borrower for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Borrower of such event or circumstance (except that, if the event or circumstance giving rise to such entitlement for compensation is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01      Conditions Precedent to Closing Date. This Agreement shall become effective on and as of the first date on which the following conditions precedent have been satisfied (or waived in accordance with Section 8.01):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement and the other Loan Documents signed on behalf of such party or (ii) written evidence reasonably satisfactory to the

Administrative Agent (which may include facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement

(b) Since December 31, 2017, there shall not have occurred any event or condition that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect.

(c) All fees due to the Administrative Agent, the Arrangers and the Lenders shall have been paid, and all expenses of the Administrative Agent and the Arrangers that are required to be paid or reimbursed by the Borrower and that have been invoiced at least three Business Days prior to the Closing Date shall have been so paid or reimbursed

(d) On the Closing Date, the following statements shall be true and the Administrative Agent shall have received a certificate of the Borrower, dated the Closing Date, stating that

(i) Each of the representations and warranties set forth in Section 4.01 are true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects), on and as of the Closing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date, and

(ii) No event has occurred and is continuing, or shall occur as a result of the occurrence of the Closing Date, that constitutes a Default

(e) The Administrative Agent shall have received on or before the Closing Date, each dated on or about such date

(i) Certified copies of the resolutions or similar authorizing documentation of the governing body of the Borrower, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement,

(ii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder, and

(iii) A favorable opinion letter from (A) Jessica Park, Divisional Vice President, Associate General Counsel and Assistant Secretary of the Borrower and (B) Wachtell, Lipton, Rosen & Katz, as New York special counsel to the Borrower (or, in each case, such other counsel as may be reasonably acceptable to the

Administrative Agent), in each case, in the form agreed on or prior to the Closing Date

(f) The 2014 Credit Agreement shall have been terminated in accordance with Section 8.15

(g) To the extent requested by a Lender, delivery of executed promissory notes.

(h) To the extent requested by any Lender through the Administrative Agent in writing at least 10 Business Days prior to the Closing Date, the Borrower shall have provided the documentation and other information to the Administrative Agent that is required by regulatory authorities under applicable "know-your-customer" rules and regulations, including the Patriot Act, at least three Business Days prior to the Closing Date.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date in writing promptly upon such conditions precedent being satisfied (or waived in accordance with Section 8.01), and such notice shall be conclusive and binding evidence of the occurrence thereof

**SECTION 3.02 Conditions Precedent to Each Borrowing.** The obligation of each Lender to make an Advance on the occasion of each Borrowing (other than a Borrowing consisting only of a Conversion of Advances to the other Type, or a continuation of Eurodollar Rate Advances) shall be subject to the conditions precedent that the Closing Date shall have occurred and on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(a) Each of the representations and warranties set forth in Section 4.01 (other than the representations and warranties set forth in Section 4.01(f)(i)) are true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) as of such date, before and after giving effect to such Borrowing and the application of proceeds therefrom, as though made on and as of such date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (except to the extent such representations and warranties are qualified with "materiality" or "Material Adverse Effect" or similar terms, in which case such representations and warranties shall be true and correct in all respects) on and as of such earlier date, and

(b) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that constitutes a Default

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#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

**SECTION 4.01 Representations and Warranties of the Borrower.** The Borrower represents and warrants on the Closing Date, on the date of the making of each Advance, on any Increase Effective Date and on any Extension Date as follows (but with respect to the representations and warranties set forth in Section 4.01(f)(i), only on the Closing Date, any Increase Effective Date and any Extension Date):

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of organization

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, (i) are within the Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene (A) the Borrower's charter or by-laws or other organizational documents or (B) any Law, regulation or contractual restriction binding on or affecting the Borrower and (iv) will not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Consolidated Group (other than Liens created or required to be created pursuant to the terms hereof), except, in the case of clause (iii)(B) and (iv), as would not be reasonably expected to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or, except as would not be reasonably expected to have a Material Adverse Effect, any other third party is required for the due execution, delivery and performance by the Borrower of this Agreement

(d) This Agreement has been duly executed and delivered by the Borrower. This Agreement is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at Law) and an implied covenant of good faith and fair dealing.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2017, and the related Consolidated statements of earnings and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Ernst & Young LLP or other independent public accountants of recognized national standing, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at September 30, 2018, and the related Consolidated statements of earnings and cash flows of the Borrower and its Subsidiaries for the three months then ended, duly certified by the Executive Vice President, Finance and Chief Financial Officer of the Borrower, copies of which have been furnished to each Lender, fairly present, in all material respects, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the

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periods ended on such dates, all in accordance with GAAP (subject, in the case of the Consolidated balance sheet as at September 30, 2018 and the related statements of earnings and cash flows, to the absence of footnotes and year-end audit adjustments), provided that information referenced in this Section 4.01(e) shall be deemed to have been furnished if such information, or one or more annual or quarterly or other reports or proxy statements containing such information, shall have been posted and be available on the website of the Securities and Exchange Commission at <http://www.sec.gov>.

(f) As of the Closing Date (or, in the case that this representation and warranty is made on any Increase Effective Date or any Extension Date, as of such Increase Effective Date or Extension Date, as applicable), there is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), affecting the Consolidated Group pending or, to the knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, (i) would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Consolidated Group taken as a whole (other than the litigation set forth on Schedule 4.01(f) attached hereto (or, in the case that this representation and warranty is made on any date after the date hereof, as set forth on a schedule delivered to the Administrative Agent on or prior to such date, as applicable)) or (ii) would adversely affect the legality, validity and enforceability of any material provision of this Agreement in any material respect.

(g) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets of the Borrower and of the Consolidated Group, on a Consolidated basis, subject to the provisions of Section 5.02(a) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(h) All written information (other than the projections, any forward-looking statements and information of a general economic or industry nature) concerning the Borrower, its Subsidiaries and the transactions contemplated hereby included in the Information Memorandum or otherwise prepared by the Borrower and its Subsidiaries and furnished to the Agents or the Lenders in connection with the negotiation of, or pursuant to the terms of, this Agreement when taken as a whole, was true and correct in all material respects as of the date when furnished by the Borrower and its subsidiaries to the Agents or the Lenders and did not, taken as a whole, when so furnished contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not misleading in light of the circumstances under which such statements were made.

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect

(j) As of the last annual actuarial valuation date prior to the Closing Date, the Abbott Laboratories Annuity Retirement Plan was not in at-risk status (as defined in Section 430(i)(4) of the Internal Revenue Code) and no other Plan subject to ERISA was in at-risk status (as defined in Section 430(i)(4) of the Internal Revenue Code), and since

such annual actuarial valuation date there has been no material adverse change in the funding status of any Plan subject to ERISA that would reasonably be expected to cause such Plan to be in at-risk status (as defined in Section 430(i)(4) of the Internal Revenue Code)

(k) Neither the Borrower nor any ERISA Affiliate (i) is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan or has incurred any such Withdrawal Liability that has not been satisfied in full or (ii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), insolvent (within the meaning of Section 4245 of ERISA) or has been determined to be in "endangered" or "critical" status (within the meaning of Section 432 of the Internal Revenue Code or Section 305 of ERISA), and no such Multiemployer Plan is reasonably expected to be in reorganization, insolvent or in "endangered" or "critical" status

(l) (i) The operations and properties of the Consolidated Group comply in all respects with all applicable Environmental Laws and Environmental Permits except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (ii) all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without any ongoing obligations or costs except to the extent that such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and (iii) no circumstances exist that would be reasonably expected to (A) form the basis of an Environmental Action against a member of the Consolidated Group or any of its properties that, either individually or in the aggregate, would have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that, either individually or in the aggregate, would have a Material Adverse Effect

(m) (i) None of the properties currently or formerly owned or operated by a member of the Consolidated Group is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or, to the best knowledge of the Borrower, is adjacent to any such property other than such properties of a member of the Consolidated Group that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (ii) there are no, and never have been any, underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any property currently owned or operated by any member of the Consolidated Group or, to the best knowledge of the Borrower, on any property formerly owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (iii) there is no asbestos or asbestos-containing material on any property currently owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, and (iv) Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by a member of the Consolidated Group or, to the best knowledge of

the Borrower, on any adjoining property that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect

(n) No member of the Consolidated Group is undertaking, and no member of the Consolidated Group has completed, either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by a member of the Consolidated Group have been disposed of in a manner that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(o) No member of the Consolidated Group is an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" (each as defined in the Investment Company Act of 1940, as amended). Neither the making of any Advances nor the application of the proceeds or repayment thereof by the Borrower, nor the consummation of the other transactions contemplated hereby, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(p) The Advances and all related obligations of the Borrower under this Agreement rank *pari passu* with all other unsecured obligations of the Borrower that are not, by their terms, expressly subordinate to the obligations of the Borrower hereunder.

(q) The proceeds of the Advances will be used in accordance with Section 2.16

(r) Neither the Borrower nor any of its Subsidiaries or, to the knowledge of senior management of the Borrower, any director, officer, employee or agent of the Borrower or any of its Subsidiaries is an individual or entity currently the subject of any Sanctions, and neither the Borrower nor any of its Subsidiaries is located, organized or resident in a Designated Jurisdiction in violation of any Sanctions, provided that if the Borrower or any Subsidiary is located, organized or resident in a jurisdiction that becomes a Designated Jurisdiction after the Closing Date, such Person shall not be included in this representation so long as (i) the Borrower is taking reasonable steps to either obtain appropriate licenses for transacting business in such country or territory or to cause such Person to no longer be located, be organized or be resident in such country or territory and (ii) such Person's being located, organized or resident in such country or territory (A) will not result in any violation of Sanctions by any Lender, any Arranger or the Administrative Agent and (B) would not be reasonably expected to have Material Adverse Effect.

(s) The Borrower and its Subsidiaries (i) have conducted their businesses in compliance with applicable anti-corruption Laws, except to the extent that failure to so comply would not be reasonably expected to have Material Adverse Effect; and (ii) have

instituted and maintained policies and procedures reasonably designed to promote and achieve compliance with such Laws.

## ARTICLE V

### COVENANTS OF THE BORROWER

SECTION 5 01      Affirmative Covenants      So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will.

(a)      Compliance with Laws, Etc.      Comply, and cause each of its Subsidiaries to comply, with all applicable Laws, rules, regulations and orders (such compliance to include, without limitation, compliance with ERISA and Environmental Laws), except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect

(b)      Payment of Taxes, Etc.      Pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all Taxes imposed upon any member of the Consolidated Group except to the extent that (i) the amount, applicability or validity thereof is being contested in good faith and by proper proceedings or (ii) the failure to pay such Taxes, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect

(c)      Maintenance of Insurance      Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (or pursuant to self-insurance arrangements) in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which any member of the Consolidated Group operates

(d)      Preservation of Existence, Etc.      Do, or cause to be done, all things necessary to preserve and keep in full force and effect its (i) existence and (ii) rights (charter and statutory) and franchises, provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5 02(b); and provided, further, that the Borrower shall not be required to preserve any such right or franchise if the management of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Lenders.

(e)      Visitation Rights      At any reasonable time and from time to time during normal business hours, upon reasonable notice to the Borrower, permit the Administrative Agent or any of the Lenders, or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account, and visit the properties, of the Borrower, and to discuss the affairs, finances and accounts of the Borrower and/or any of its Subsidiaries with any of the members of the senior treasury staff of the Borrower

(f)      Keeping of Books      Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial

transactions and the assets and business of the Borrower and each such Subsidiary sufficient to permit the preparation of financial statements in accordance with GAAP

(g) Maintenance of Properties, Etc. Cause all of its properties that are used or useful in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, except, in each case, where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(h) Transactions with Affiliates Conduct, and cause each of its Subsidiaries to conduct, all material transactions otherwise permitted under this Agreement with any of their Affiliates (excluding the members of the Consolidated Group) on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate, provided that the provisions of this Section 5.01(h) shall not apply to the following

(i) the payment of dividends or other distributions (whether in cash, securities or other property) with respect to any equity interests in a member of the Consolidated Group, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such equity interests in such Person or any option, warrant or other right to acquire any such equity interests in such Person.

(ii) payment of, or other consideration in respect of, compensation to, the making of loans to and payment of fees and expenses of and indemnities to officers, directors, employees or consultants of a member of the Consolidated Group and payment, or other consideration in respect of, directors' and officers' indemnities,

(iii) transactions pursuant to any agreement to which a member of the Consolidated Group is a party on the date hereof, or

(iv) transactions with joint ventures for the purchase or sale of property or other assets and services entered into in the ordinary course of business and in a manner consistent with past practices

(i) Reporting Requirements Furnish to the Administrative Agent for further distribution to the Lenders

(i) as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Consolidated Group as of the end of such quarter and Consolidated statements of earnings and cash flows of the Consolidated Group for the period commencing at the end of the previous fiscal year and ending with the



end of such quarter, duly certified by the Chief Financial Officer, the Controller or the Treasurer of the Borrower as having been prepared in accordance with GAAP (subject to the absence of footnotes and year end audit adjustments),

(ii) as soon as available and in any event within 100 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Consolidated Group, containing a Consolidated balance sheet of the Consolidated Group as of the end of such fiscal year and Consolidated statements of earnings and cash flows of the Consolidated Group for such fiscal year, in each case accompanied by an unqualified opinion or an opinion reasonably acceptable to the Required Lenders by Ernst & Young LLP or other independent public accountants of recognized national standing;

(iii) simultaneously with each delivery of the financial statements referred to in subclauses (i)(i) and (i)(ii) of this Section 5.01, a certificate of the Chief Financial Officer, the Controller or the Treasurer of the Borrower as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03,

(iv) as soon as possible and in any event within five days after any Responsible Officer shall have obtained knowledge of the occurrence of each Default continuing on the date of such statement, a statement of the Chief Financial Officer, the Controller or the Treasurer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto,

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, and copies of all reports and registration statements that members of the Consolidated Group file with the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after a Responsible Officer obtains knowledge of the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, governmental agency or arbitrator affecting the Consolidated Group of the type described in Section 4.01(f)(ii); and

(vii) such other information respecting the Consolidated Group as any Lender through the Administrative Agent may from time to time reasonably request

Information required to be delivered pursuant to subsections (i), (ii) and (v) of this Section 5.01(i) shall be deemed to have been delivered if such information, or one or more annual or quarterly or other reports or proxy statements containing such information, shall have been posted and be available on the website of the Securities and Exchange Commission at <http://www.sec.gov> (and a confirming electronic correspondence is delivered or caused to be delivered by the Borrower to the Administrative Agent providing notice of such availability) The Borrower hereby

acknowledges that the Administrative Agent and or the Arrangers will make available to the Lenders materials and or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar secure electronic system (the "Platform").

(j) Anti-Corruption Laws. Maintain policies and procedures with respect to itself and its Subsidiaries reasonably designed to promote and achieve compliance with applicable anti-corruption Laws

SECTION 5.02 Negative Covenants So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not

(a) Liens, Etc. Incur, issue, assume or guarantee, or permit any Domestic Subsidiary to incur, issue, assume or guaranty, at any time, any Borrowed Debt secured by a Lien on any Principal Domestic Property of the Borrower or any Domestic Subsidiary, or any shares of stock or Borrowed Debt of any Domestic Subsidiary, without effectively providing that the Advances outstanding at such time (together with, if the Borrower shall so determine, any other Borrowed Debt of the Borrower or such Domestic Subsidiary existing at such time or thereafter created that is not subordinate to the Advances) shall be secured equally and ratably with (or prior to) such secured Borrowed Debt, so long as such secured Borrowed Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Borrowed Debt plus the aggregate amount of all Attributable Debt of the Borrower and the Domestic Subsidiaries in respect of Sale and Leaseback Transactions would not exceed 15% of Consolidated Net Assets; provided, however, that this Section 5.02(a) shall not apply to, and there shall be excluded from secured Borrowed Debt in any computation under this Section 5.02(a), Borrowed Debt secured by

(i) Liens on property of, or on any shares of stock or Borrowed Debt of, any Person existing at the time such Person becomes a Domestic Subsidiary;

(ii) Liens in favor of the Borrower or any Domestic Subsidiary,

(iii) Liens on property of the Borrower or a Domestic Subsidiary in favor of the United States or any State thereof, or any department, agency or instrumentality or political subdivision of the United States or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute;

(iv) Liens on property, shares of stock or Borrowed Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction or improvement cost thereof or to secure any Debt incurred prior to, at the time of, or within 120 days after, the acquisition of such property or shares or Borrowed Debt or the completion of any such construction or improvement for the purpose of

financing all or any part of the purchase price or construction or improvement cost thereof.

(v) Liens existing on the Closing Date,

(vi) Liens incurred in connection with pollution control, industrial revenue or similar financing, and

(vii) Any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Borrowed Debt secured by any Lien referred to in subclauses (i) through (vi) of this Section 5.02(a); provided, that (A) such extension, renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Debt that secured the Lien extended, renewed or replaced (plus improvements on such property) and (B) the Borrowed Debt secured by such Lien at such time is not increased

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose (including by means of a Division) of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that:

(i) any Subsidiary of the Borrower may merge or consolidate with or into, or dispose (including by means of a Division) of assets to, any other Subsidiary of the Borrower or the Borrower,

(ii) the Borrower may merge or consolidate with or into any other Person so long as (A) the Borrower is the surviving Person or (B) if the Borrower is not the surviving Person, (1) the surviving Person shall assume, by agreement reasonably satisfactory in form and substance to the Required Lenders, all of the rights and obligations of the Borrower under this Agreement and the other Loan Documents, (2) such surviving Person shall have delivered to the Administrative Agent (x) an officer's certificate stating that such surviving Person's obligations under this Agreement are enforceable and (y) if requested by the Administrative Agent, an opinion of counsel to the effect that such merger or consolidation does not violate this Agreement or any other Loan Document and that such surviving Person's obligations under this Agreement are enforceable and (3) the Administrative Agent shall have received the information and documentation reasonably requested by the Administrative Agent or any Lender, in each case with respect to such surviving Person, for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act and 31 C.F.R. § 1010.230 (it being understood that, if the foregoing are satisfied, such surviving Person will succeed to, and be substituted for, the Borrower under this Agreement);

(iii) any Subsidiary of the Borrower may merge or consolidate with or into another Person, or convey, transfer, lease or otherwise dispose (including by means of a Division) of all or any portion of its assets so long as (A) the

consideration received in respect of such merger, consolidation, conveyance, transfer, lease or other disposition is at least equal to the fair market value of such assets and (B) no Material Adverse Effect would reasonably be expected to result from such merger, consolidation, conveyance, transfer, lease or other disposition.

provided, in the cases of clause (ii) hereof, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom

(c) Sales and Leaseback. Enter into, or permit any Domestic Subsidiary to enter into, any arrangement with any bank, insurance company or other lender or investor (not including any member of the Consolidated Group) or to which any such lender or investor is a party, providing for the leasing by the Borrower or any Domestic Subsidiary for a period, including renewals, in excess of three years of any Principal Domestic Property which has been or is to be sold or transferred, more than 120 days after the acquisition thereof or the completion of construction and commencement of full operation thereof, by the Borrower or any Domestic Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such Principal Domestic Property (any such arrangement being referred to herein as a "Sale and Leaseback Transaction") unless either

(i) the Borrower or such Domestic Subsidiary could create Borrowed Debt secured by a Lien pursuant to Section 5.02(a) on the Principal Domestic Property to be leased back in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction without equally and ratably securing Advances outstanding at the time the Borrower or such Domestic Subsidiary enters into such Sale and Leaseback Transaction, or

(ii) the Borrower, within 120 days after the sale or transfer shall have been made by the Borrower or by such Domestic Subsidiary, applies an amount equal to the greater of (A) the net proceeds of the sale of the Principal Domestic Property sold and leased back pursuant to such Sale and Leaseback Transaction or (B) the fair market value of the Principal Domestic Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction (as determined by any two of the following: the Chief Executive Officer, any President, the Chief Financial Officer, the Controller or the Treasurer of the Borrower) to the retirement of Funded Debt: provided that the amount to be applied to the retirement of Funded Debt shall be reduced by (1) the principal amount of any Advances paid or prepaid within 120 days after such sale or transfer and (2) the principal amount of such Funded Debt voluntarily retired by the Borrower within 120 days after such sale or transfer. Notwithstanding the foregoing, no retirement referred to in this Section 5.02(c)(ii) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

(d) Accounting Changes. Change its fiscal year-end from December 31 of each calendar year

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(e) Change in Nature of Business. Make any material change in the nature of the business of the Consolidated Group, taken as a whole, from that carried out at the Closing Date, it being understood that this Section 5.02(e) shall not prohibit members of the Consolidated Group from conducting any business or business activities incidental or related to the business of the Borrower and its Subsidiaries as carried on as of the Closing Date or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto

(f) Use of Proceeds. Directly or, to the knowledge of the Borrower, indirectly (i) use the proceeds of any Borrowing for any purpose that would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, or other similar applicable legislation in other jurisdictions or (ii) use the proceeds of any Borrowing, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity that, at the time of such funding, is (A) the subject of Sanctions or (B) in any Designated Jurisdiction, in each case in violation of Sanctions

SECTION 5.03 Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, as of the last day of each fiscal quarter of the Borrower, commencing with the first full fiscal quarter-end date occurring after the Closing Date.

(a) for any such fiscal quarter in respect of which the financial covenant in the succeeding clause (b) does not apply pursuant to the terms thereof, the Borrower shall not permit the ratio of Consolidated Debt to Total Capitalization to exceed 0.60:1.00, or

(b) for any such fiscal quarter in respect of which (i) the Borrower has Public Debt Ratings of A3 or higher from Moody's and A- or higher from S&P as of the last day of such fiscal quarter and (ii) the Borrower has provided notice to the Administrative Agent, on or prior to the date on which its financial statements for such fiscal quarter are required to be furnished to the Administrative Agent in accordance with Section 5.01(i), of its election to have the financial covenant described in this clause (b) apply for such fiscal quarter (which notice may be provided in the certificate required to be delivered to the Administrative Agent pursuant to Section 5.01(i)(iii)), the Borrower shall not permit the Consolidated Net Worth to be less than \$10,000,000,000.

## ARTICLE VI

### EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing

(a) The Borrower shall fail (i) to pay any principal of any Advance when the same becomes due and payable or (ii) to pay any interest on any Advance or make any payment of fees or other amounts payable under this Agreement within five Business Days after the same becomes due and payable, or

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(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made, or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d)(i), 5.01(i)(iv), 5.02(a), 5.02(b), 5.02(c), 5.02(e), 5.02(f)(ii) (to the extent the use of proceeds would result in a violation of Sanctions by a Lender, an Arranger or the Administrative Agent) or 5.03 or (ii) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(c) or clauses (i)-(iii) or (v)-(vii) of Section 5.01(i) if such failure shall remain unremedied for 10 Business Days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(d) The Borrower or a Significant Subsidiary shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount, or, in the case of any Hedge Agreement, having a maximum Agreement Value, of at least \$250,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Significant Subsidiary, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or the Borrower or a Significant Subsidiary shall default in its obligations under any agreement or instrument relating to any such Debt, which default shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default is to accelerate the maturity of such Debt, or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof (other than due to any (i) regularly scheduled required prepayment or redemption or (ii) prepayment of Debt which is mandatory under the terms of the documentation governing such Debt by reason of the receipt of net cash proceeds of other Debt or dispositions (including, without limitation, as the result of casualty events and governmental takings); or

(e) The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of 60 days, or the Borrower or any Significant Subsidiary shall take

any corporate action to authorize any of the actions set forth above in this Section 6.01(c); or

(f) Any one or more judgments or orders for the payment of money in excess of \$250,000,000 shall be rendered against the Borrower or a Significant Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that, for purposes of determining whether an Event of Default has occurred under this Section 6.01(f), the amount of any such judgment or order shall be reduced to the extent that (A) such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (B) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, such judgment or order, or

(g) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into or exchangeable for such Voting Stock) representing more than 50% of the combined voting power of all Voting Stock of the Borrower (on a fully diluted basis) or (ii) during any period of up to 24 consecutive months, commencing before or after the date of this Agreement, a majority of the members of the board of directors of the Borrower shall not be Continuing Directors, or

(h) The Borrower or any of its ERISA Affiliates shall incur, or shall be reasonably likely to incur, liability in excess of \$250,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event, (ii) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, (i) the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitments of each Lender to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower. provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the Commitment of each Lender shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII

### THE AGENTS

**SECTION 7.01** Authorization and Action. Each Lender hereby irrevocably appoints JPMorgan to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VII (other than the third sentence of Section 7.04 and Section 7.06) are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third-party beneficiary of any of such provisions (other than the third sentence of Section 7.04 and Section 7.06). It is understood and agreed that the use of the term "agent" herein (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

**SECTION 7.02** Administrative Agent Individually. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity as a Lender. Such Person and its Affiliates may accept deposits from, own securities of, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any member of the Consolidated Group or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

**SECTION 7.03** Duties of Administrative Agent; Exculpatory Provisions

(a) The Administrative Agent's duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature, and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein or in any other Loan Document. Without limiting the generality of the foregoing, the Administrative Agent (i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) shall not have any duty to take any discretionary action or exercise any discretionary powers but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in any other Loan Document), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable Law, including for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law and (iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure

to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 8.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until the Borrower or any Lender shall have given notice to the Administrative Agent describing such Default or Event of Default.

(c) Neither the Administrative Agent nor any other Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement, any other Loan Document or the Information Memorandum, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any "know your customer" or other checks in relation to any Person on behalf of any Lender, and each Lender confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

SECTION 7.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the Closing Date or the making of any Advance that by its terms must be fulfilled to the satisfaction of a Lender, each Lender shall be deemed to have consented to, approved or accepted such condition unless (a) an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the Closing Date or the making of such Advance, as applicable, and (b) in the case of a condition to the making of an Advance, such Lender shall



not have made available to the Administrative Agent such Lender's ratable portion of such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**SECTION 7.05      Delegation of Duties** The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each such sub-agent and the Related Parties of the Administrative Agent and each such sub-agent shall be entitled to the benefits of all provisions of this Article VII and Section 8.04 (as though such sub-agents were the "Administrative Agent" under this Agreement) as if set forth in full herein with respect thereto. The Administrative Agent shall not be responsible to any Lender for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

**SECTION 7.06      Resignation of Administrative Agent**

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders and in consultation with the Borrower, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, such Person shall automatically and without the taking of any action by any Person, be removed as Administrative Agent on the date that is 30 days following the date such Person became a Defaulting Lender (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"). In connection therewith, the Required Lenders, in consultation with the Borrower, shall appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment on or prior to the Removal Effective Date, then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (ii) except for any

indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents (if not already discharged therefrom as provided above in this Section 7.06). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article VII and Section 8.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

**SECTION 7.07     Non-Reliance on Administrative Agent and Other Lenders** Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

**SECTION 7.08     Indemnification** The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances made by each of them (or, if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, in each case, acting in the capacity of Administrative Agent, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not promptly reimbursed for such expenses by the Borrower.

SECTION 7 09 Other Agents None of the Lenders identified on the facing page or signature pages of this Agreement as a "joint lead arranger", "joint bookrunner", or "syndication agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 7 10 ERISA

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Agents and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans in connection with the Advances or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement, and the conditions for exemptive relief thereunder are and will continue to be satisfied in connection therewith,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Advances, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement, or such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iii) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, each Agent and its respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that none of the Agents or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto).

(c) The Agents and the Arrangers hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Advances, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Advances or the Commitments for an amount less than the amount being paid for an interest in the Advances or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing

## ARTICLE VIII

### MISCELLANEOUS

SECTION 8.01 Amendments, Etc. Subject to Section 2.05(c) and 2.08(f), no amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, provided, however, that no amendment, waiver or consent shall, unless in writing, do any of the following:

- (a) waive any of the conditions specified in Section 3.01, unless signed by each Lender directly and adversely affected thereby.
- (b) increase or extend the Commitments of a Lender or subject a Lender to any additional obligations, unless signed by such Lender,

- (c) reduce the principal of, or stated rate of interest on, the Advances, the stated rate at which any fees hereunder are calculated or any other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby;
- (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby;
- (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, unless signed by all Lenders; and
- (f) amend this Section 8.01, unless signed by all Lenders,

and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto, and (iii) any amendment or waiver with respect to Section 8.16 shall require the consent of any Lender that is an EEA Financial Institution. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except (x) to the extent set forth in Section 2.19(a)(ii) and (y) that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

#### SECTION 8.02 Notices, Etc.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 8.02(b) below), all notices and other communications provided for hereunder shall be in writing (including telecopier) and mailed, telecopied or delivered, if to the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule II; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in Section 8.02(b) below, shall be effective as provided in such Section 8.02(b).

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(b) Electronic Communications Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail, FpML messaging and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD-PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials or notices through the platform, any other electronic platform or electronic messaging service, or through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Each of the Borrower and the Administrative Agent may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to

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ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender

(e) The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices and Notices of Borrowing) reasonably believed to have been given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reasonable reliance by such Person on each notice reasonably believed to have been given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording. With respect to notices and other communications hereunder from the Borrower to any Lender, the Borrower shall provide such notices and other communications to the Administrative Agent, and the Administrative Agent shall promptly deliver such notices and other communications to any such Lender in accordance with Section 8.02(b) above or otherwise

SECTION 8.03 No Waiver; Remedies No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by applicable Law.

SECTION 8.04 Expenses, Indemnity

(a) Costs and Expenses The Borrower shall pay upon demand (i) all reasonable and documented or invoiced out-of-pocket fees and expenses incurred by the Administrative Agent and its respective Affiliates (including, but not limited to, the reasonable and documented or invoiced fees, charges and disbursements of counsel which shall be limited to the reasonable and documented or invoiced out-of-pocket fees and other charges of one to the Administrative Agent and its respective Affiliates (which as of the date hereof is Shearman & Sterling LLP), and, if necessary, of one local counsel to the Administrative Agent and its respective Affiliates in each relevant jurisdiction, and due diligence expenses), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out of pocket expenses incurred by the Administrative Agent or any Lender (including, but not limited to, the reasonable and documented or invoiced fees, charges and disbursements of counsel which shall be limited to the reasonable and documented or invoiced out-of-pocket fees and other charges of one counsel to the Lenders and the Administrative Agent, and, if necessary, of one local counsel to the Lenders, retained by the Administrative Agent in each relevant jurisdiction (and, solely in the case of an actual or potential conflict of interest, of one additional counsel (and, if reasonably necessary, one additional local counsel in any relevant jurisdiction) for all such affected Lenders), and due

diligence expenses), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 8.04, or (B) in connection with the Advances made hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Advances

(b) Indemnification by the Borrower The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons and any successors or assigns (each such Person being called an "Indemnified Party") against, and hold each Indemnified Party harmless from, all losses, claims, damages, liabilities and related expenses to which any Indemnified Party may become subject resulting from or in connection with this Agreement, the other Loan Documents, the use of the proceeds under this Agreement or any related transaction, any actual or alleged presence of Hazardous Materials on any property of the Consolidated Group or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any Indemnified Party is a party thereto and regardless of whether brought by a third party or by the Borrower or any of its Affiliates (any of the foregoing, a "Proceeding"), and shall reimburse each Indemnified Party upon demand for any legal or other expenses incurred in connection with investigating, defending, preparing to defend or participating in any such Proceeding, provided that (i) the foregoing indemnity will not, as to any Indemnified Party, apply to losses, claims, damages, liabilities or related expenses (A) to the extent they are found by a final, non-appealable judgment of a court of competent jurisdiction to result from the bad faith, willful misconduct or gross negligence of such Indemnified Party or any of its Related Persons, (B) to the extent resulting from any Proceeding that does not involve an act or omission of the Borrower or any of its Affiliates and that is brought by an Indemnified Party solely against another Indemnified Party, other than claims against any the Administrative Agent or the Arrangers in its capacity in fulfilling its role as an administrative agent or lead arranger under this Agreement or (C) to the extent resulting from a material breach by such Indemnified Party or any Related Person thereof of its obligations hereunder as found by a final, non-appealable judgment by a court of competent jurisdiction and (ii) the Borrower's obligation to reimburse legal expenses pursuant to this Section 8.04(b) shall be limited to the fees, charges and disbursements of one counsel to all Indemnified Parties (and, if reasonably necessary, one local counsel in any relevant jurisdiction) and, solely in the case of an actual or potential conflict of interest, of one additional counsel (and, if reasonably necessary, one additional local counsel in any relevant jurisdiction). This Section 8.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim

(c) Compensation for Losses If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.06, 2.08(d), 2.08(c), 2.10 or 2.12, (ii) acceleration of the maturity of the Advances pursuant to Section 6.01, (iii) a payment by an Eligible Assignee to any Lender other than on the last day of the Interest Period for such Advance upon an assignment of the rights and obligations of such Lender under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a) or (iv) for any other reason (other than, subject to the foregoing clause (iii), a payment by an Eligible Assignee to any Lender), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the

Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional reasonable losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or exchange in the case of Section 2.08 or 2.12, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Reimbursement by Lenders. Without duplication with respect to Section 7.08, to the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section 8.04 to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders' pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's Pro Rata Share at such time), provided, further that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity.

(e) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Advance or the use of the proceeds thereof. No Indemnified Party referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnified Party through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence, bad faith or willful misconduct of such Indemnified Party as determined by a final and nonappealable judgment of a court of competent jurisdiction. Nothing in this Section 8.04(e) shall relieve the Borrower of any obligation it may have to indemnify an Indemnified Party against special, indirect, consequential or punitive damages to the extent required under Section 8.04(b).

(f) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Section 2.11, Section 2.14 and this Section 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder.

SECTION 8.05 Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent



specified by Section 6.01 to authorize the Administrative Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender agrees promptly to notify the Administrative Agent and the Borrower after any such setoff and application is made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 8.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 8.06 Binding Effect This Agreement shall become effective (other than Section 2.01, which shall only become effective upon satisfaction of the applicable conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and, thereafter, shall be binding upon and inure to the benefit of, and be enforceable by, the Borrower, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that, subject to Section 8.07, the Borrower shall have no right to assign their rights hereunder or any interest herein without the prior written consent of each of the Lenders, and any purported assignment without such consent shall be null and void.

SECTION 8.07 Assignments and Participations

(a) Each Lender may, with the consent of the Borrower and the Administrative Agent, which consents shall not be unreasonably withheld, conditioned or delayed and, in the case of the Borrower, (i) shall not be required while an Event of Default has occurred and is continuing and (ii) shall be deemed given if the Borrower shall not have objected within 10 Business Days following its receipt of notice of such assignment (and, within five days after demand by the Borrower (with a copy of such demand to the Administrative Agent) to (A) any Defaulting Lender, (B) any Lender that has made a demand for payment pursuant to Section 2.11 or 2.14, (C) any Lender that has asserted pursuant to Section 2.08(b) or 2.12 that it is impracticable or unlawful for such Lender to make Eurodollar Rate Advances or (D) any Lender that fails to consent to an amendment or waiver hereunder for which consent of all Lenders (or all affected Lenders) is required and as to which the Required Lenders have given their consent, such Lender will), assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it); provided, however, that

(1) such consent shall not be required in the case of an assignment to any other Lender or an Affiliate of any Lender, provided that notice thereof shall have been given to the Borrower and the Administrative Agent.

(2) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement,

(3) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof;

(4) each such assignment shall be to an Eligible Assignee,

(5) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower with the approval of the Administrative Agent (which approval shall not be unreasonably withheld, conditioned or delayed) and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that, in the aggregate, cover all of the rights and obligations of the assigning Lender under this Agreement;

(6) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a), (I) (except in the case of an assignment of the type described in clause (D) of the first parenthetical clause in this Section 8.07(a) to the extent such Default would no longer be continuing after giving effect to the relevant amendment or waiver) so long as a Default shall have occurred and be continuing and (II) unless and until such Lender shall have received one or more payments from one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount, and from the Borrower or one or more Eligible Assignees in an aggregate amount equal to all other amounts accrued to such Lender under this Agreement (including, without limitation, any amounts owing under Sections 2.11, 2.14 or 8.04(c)) and (III) if any such Eligible Assignee is not an existing Lender, unless and until the Borrower shall have paid (or caused to be paid) to the Administrative Agent a processing and recordation fee of \$3,500, provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(7) the parties to each such assignment (other than, except in the case of a demand by the Borrower pursuant to this Section 8.07(a), the Borrower) shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance and, if such assignment does not occur as a result of a demand by the Borrower pursuant to this Section 8.07(a) (in

which case the Borrower shall pay the fee required by subclause (6)(III) of this Section 8.07(a)), a processing and recordation fee of \$3,500, provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment, provided, further, that in the event that, in connection with a demand by the Borrower pursuant to this Section 8.07(a), the assignor shall not execute and deliver the relevant Assignment and Acceptance within one Business Day of the Borrower's request, such assignor shall be deemed to have executed and delivered such Assignment and Acceptance. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement, except that such assigning Lender shall continue to be entitled to the benefit of Section 8.04(a) and (b) with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows.

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto,

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto,

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance,

(iv) such assignee will, independently and without reliance upon any Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(v) such assignee confirms that it is an Eligible Assignee,

(vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower

(d) The Administrative Agent, acting solely for this purpose as the agent of the Borrower, shall maintain at its address referred to in Section 8.02(a) a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount (and stated interest) of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent demonstrable error, and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than a natural person, the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it) without the prior consent of, or notice to, the Administrative Agent or the Borrower; provided, however, that

(i) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged,

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) such Lender shall remain the Lender of any such Advance for all purposes of this Agreement,

(iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement; and

(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by the Borrower herefrom or therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or stated rate of interest on, the Advances or the stated rate at which any fees or any other amounts payable hereunder are calculated, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or any other amounts payable hereunder, in each case to the extent subject to such participation

Subject to the immediately succeeding paragraph, the Borrower agrees that such participant shall be entitled to the benefits of Sections 2.11 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (a) of this Section 8.07 (it being understood that the documentation required under Section 2.14(e) shall be delivered to the Lender who sells the participation), provided that such participant (A) agrees to be subject to the provisions of Sections 2.15, 2.20 and 8.05 as if it were an assignee under subsection (a) of this Section 8.07 and (B) shall not be entitled to receive any greater payment under Sections 2.11 or 2.14, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, unless the sale of such participation is made with the prior written consent of the Borrower and the Borrower expressly waives the benefit of this provision at the time of such participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Sections 2.15, 2.20 and 8.05 with respect to any participant.

A participant shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such participant and such participant agrees, for the benefit of the Borrower, to comply with Sections 2.14(e) as though it were a Lender (it being understood that the documentation required under Section 2.14(e) shall be delivered by each participant to the participating Lender).

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Advances or other obligations under the Loan Documents (the "Participant Register"), provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any Commitments, Advances or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Advance or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent demonstrable error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished

to such Lender by or on behalf of the Borrower, provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Information relating to the Borrower received by it from such Lender as more fully set forth in Section 8.08.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it) to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System or any central bank having jurisdiction over such Lender.

**SECTION 8.08 Confidentiality.** Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 8.08, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, or (iv) the CUSIP Service Bureau or any similar organization, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower.

For purposes of this Section 8.08, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by the Borrower or any of its Subsidiaries, provided that, in the case of information received from the Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 8.08 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

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**SECTION 8.09 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

**SECTION 8.10 Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

**SECTION 8.11 Electronic Execution of Assignments and Certain Other Documents.** The words "execute," "execution," "signed," "signature," and words of like import in or related to this Agreement, any other document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation Assignment and Acceptances, Notices of Borrowing, amendments or other modifications, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state Laws based on the Uniform Electronic Transactions Act, provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

**SECTION 8.12 Jurisdiction, Etc.**

(a) The Borrower and the other parties hereto irrevocably and unconditionally agree that it will not commence any action, litigation or proceeding of any kind or description, whether in Law or equity, whether in contract or in tort or otherwise, against any party hereto or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the federal courts located in the County of New York County (or if such courts lack subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough of Manhattan), and each of the Borrower and the other parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such federal court (or if such courts lack subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough of Manhattan) to the fullest extent permitted by applicable Law. The Borrower and the other parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(b) The Borrower and the other parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any federal court located in the County of New York County (or if such courts lack subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough

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of Manhattan). The Borrower and the other parties hereto hereby irrevocably waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court

(c) The Borrower and the other parties hereto irrevocably consents to service of process in the manner provided for notices in Section 8.02(a). Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable Law

**SECTION 8.13 Patriot Act Notice** Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lenders in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act

**SECTION 8.14 No Advisory or Fiduciary Responsibility** In its capacity as an Agent or a Lender, (a) no Agent or Lender has any responsibility except as set forth herein and (b) no Agent or Lender shall be subject to any fiduciary duties or other implied duties (to the extent permitted by Law to be waived) The Borrower agrees that it will not take any position or bring any claim against any Agent or any Lender that is contrary to the preceding sentence.

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof), the Borrower acknowledges and agrees that: (i) the arranging and other services regarding this Agreement provided by the Agents and the Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Agents and the Lenders, on the other hand; (ii) each Agent and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor or agent for the Borrower or any of its Affiliates, or any other Person, and (iii) the Agents, the Lenders and each of their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and no Agent or Lender has any obligation to disclose any of such interests to the Borrower or its Affiliates

**SECTION 8.15 Termination of Credit Documents** The Borrower and each applicable Lender agree that concurrently with the effectiveness of this Agreement, the commitment amounts under the 2014 Credit Agreement shall automatically reduce to zero and the 2014 Credit Agreement shall terminate, without any notice or other action of any kind and notwithstanding any notice or other requirement contained therein, provided that (a) the Borrower shall have paid all amounts then payable under the 2014 Credit Agreement; and (b) any provision of the 2014 Credit Agreement that by its terms survives termination thereof shall continue in full force and effect. Each Lender that is a party to the 2014 Credit Agreement hereby waives any requirement of prior notice thereunder in respect of any prepayment or termination of the commitments under such agreement.

SECTION 8.16 Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable: (i) a reduction in full or in part or cancellation of any such liability; (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority

SECTION 8.17 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control, provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

SECTION 8.18 Waiver of Jury Trial. Each of the Borrower, the Administrative Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written

ABBOTT LABORATORIES

By /s/ Karen M. Peterson  
Name Karen M. Peterson  
Title Vice President, Treasurer

*[Signature Page to 2018 Revolver]*

---

JPMORGAN CHASE BANK, N.A. as  
Administrative Agent and as a Lender

By /s/ Erik Barragan  
Name Erik Barragan  
Title Vice President

*[Signature Page to 2018 Revolver]*

---

Bank of America, N.A. as a Lender

By /s/ Darren Merten

Name      Darren Merten  
Title     Vice President

*[Signature Page to 2018 Revolver]*

---

*[Handwritten signature lines]*

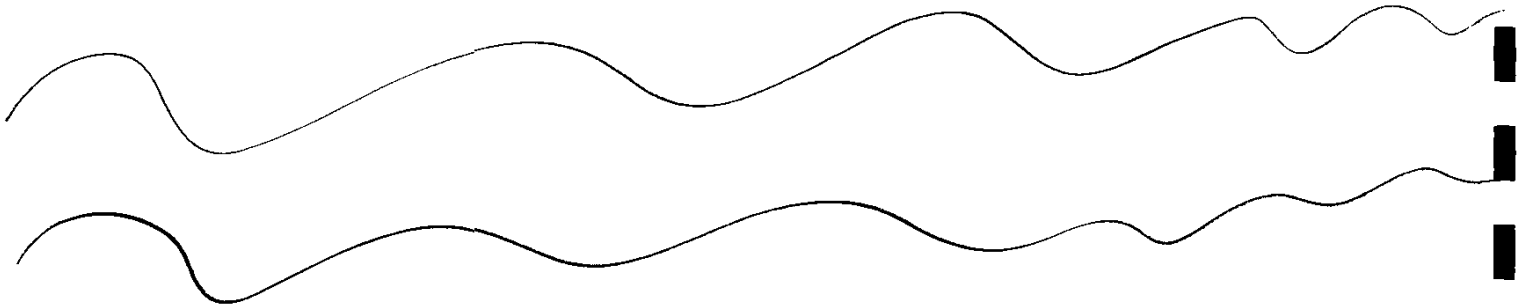
Barclays Bank PLC, as a Lender

By /s/ Ronnie Glenn

Name	Ronnie Glenn
Title	Director

*[Signature Page to 2018 Revolver]*

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MORGAN STANLEY BANK, N A., as a Lender

By /s/ Michael King

Name Michael King

Title Authorized Signatory

*[Signature Page to 2018 Revolver]*

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BNP Paribas, as a Lender

By: /s/ Nader Tannous

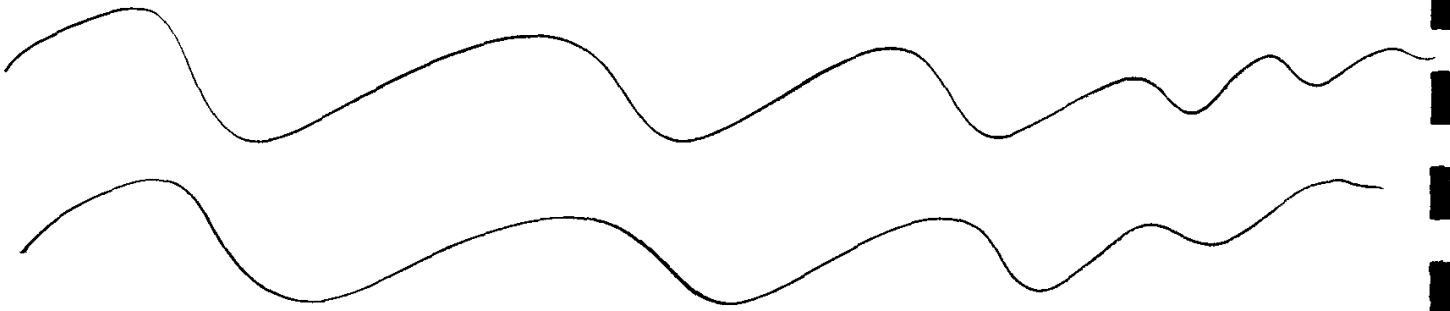
Name Nader Tannous  
Title Managing Director

By: /s/ Tony Baratta

Name Tony Baratta  
Title Managing Director

*[Signature Page to 2018 Revolver]*

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CITIBANK, N.A. as a Lender

By /s/ Richard Rivera  
Name Richard Rivera  
Title Vice President

*[Signature Page to 2018 Revolver]*

---

DEUTSCHE BANK AG NEW YORK BRANCH,  
as a Lender

By /s/ Ming K. Chu  
Name: Ming K. Chu  
Title: Director

By: /s/ Virginia Cosenza  
Name: Virginia Cosenza  
Title: Vice President

*[Signature Page to 2018 Revolver]*

---

MUFG BANK, LTD. (f/k a. THE BANK OF  
TOKYO-MITSUBISHI UFJ, LTD ), as a Lender

By: /s/ Jack Lonker

Name	Jack Lonker
Title	Director

*[Signature Page to 2018 Revolver]*

---



SOCIETE GENERALE, as a Lender

By: /s/ Kimberly Metzger

Name Kimberly Metzger  
Title Director

*[Signature Page to 2018 Revolver]*

---

BANCO SANTANDER, S.A., NEW YORK  
BRANCH, as a Lender

By: /s/ Juan Galan

Name Juan Galan

Title Managing Director

By: /s/ Terence Corcoran

Name Terence Corcoran

Title Executive Director

*[Signature Page to 2018 Revolver]*

---

HSBC Bank USA, National Association, as a  
Lender

By: /s/ Iain P. Stewart

Name Iain P. Stewart

Title Managing Director

*[Signature Page to 2018 Revolver]*

---

Standard Chartered Bank, as a Lender

By /s/ Daniel Mattem

Name	Daniel Mattem
Title	Associate Director Standard Chartered Bank

*[Signature Page to 2018 Revolver]*

---

GOLDMAN SACHS BANK USA, as a Lender

By /s/ Annie Carr

Name: Annie Carr

Title: Authorized Signatory

*[Signature Page to 2018 Revolver]*

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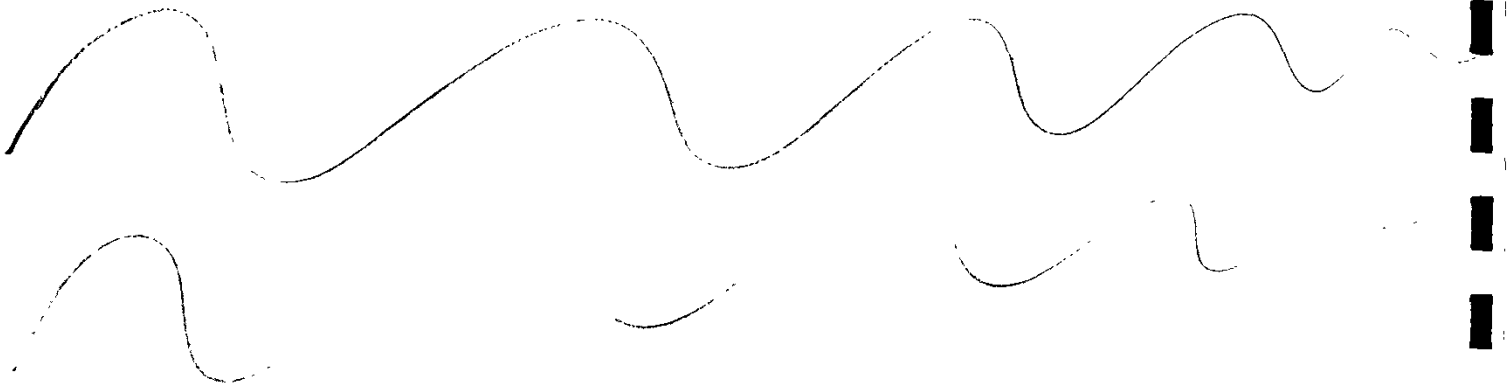
The Northern Trust Company, as a Lender

By /s/ Lisa DeCristofaro

Name	Lisa DeCristofaro
Title	SVP

*[Signature Page to 2018 Revolver]*

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A large, stylized handwritten signature in black ink, appearing to read 'Lisa DeCristofaro', spanning across the middle of the page.

BANCO BILBAO VIZCAYA  
ARGENTARIA, S A. New York  
Branch, as a Lender

By /s/ Cara Younger  
Name: Cara Younger  
Title: Director

By /s/ Miriam Trautmann  
Name: Miriam Trautmann  
Title: Sr Vice President

*[Signature Page to 2018 Revolver]*

---

ING BANK N.V., DUBLIN BRANCH, as a Lender

By: /s/ Cormac Langford

Name: Cormac Langford

Title: Director

By: /s/ Sean Hassett

Name: Sean Hassett

Title: Director

*[Signature Page to 2018 Revolver]*

---

Intesa Sanpaolo S.p.A. — New York Branch, as a Lender

By: /s/ William Denton

Name William Denton

Title Global Relationship Manager

By: /s/ Francesco Di Mario

Name Francesco Di Mario

Title FVP — Head of Credit

*[Signature Page to 2018 Revolver]*

---

MIZUHO BANK, LTD. as a Lender

By: /s/ Donna DeMagistris

Name: Donna DeMagistris

Title Authorized Signatory

*[Signature Page to 2018 Revolver]*

---



ROYAL BANK OF CANADA, as a Lender

By: /s/ Scott MacVicar

Name Scott MacVicar

Title Authorized Signatory

*[Signature Page to 2018 Revolver]*

---

Svenska Handelsbanken AB (publ),

New York Branch, as a Lender

By: /s/ Steve Cox

Name Steve Cox

Title Senior Vice President

By: /s/ Mark Emmett

Name Mark Emmett

Title Vice President

*[Signature Page to 2018 Revolver]*

---

U.S. Bank National Association, as a Lender

By. /s/ David C. Mruk

Name. David C Mruk  
Title SVP

*[Signature Page to 2018 Revolver]*

---

A large, stylized handwritten signature in black ink, appearing to read 'David C. Mruk', is written across the middle of the page. The signature is fluid and cursive, with a prominent initial 'D'.

## SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of Abbott Laboratories as of January 31, 2019. Abbott Laboratories is not a subsidiary of any other corporation. Where ownership of a subsidiary is less than 100% by Abbott Laboratories or an Abbott Laboratories' subsidiary, such has been noted by an asterisk (\*).

Domestic Subsidiaries	Incorporation
Abbott Biologicals, LLC	Delaware
Abbott Cardiovascular Inc.	Delaware
Abbott Cardiovascular Systems Inc.	California
Abbott Delaware LLC	Delaware
Abbott Diabetes Care Inc.	Delaware
Abbott Diabetes Care Sales Corporation	Delaware
Abbott Equity Investments LLC	Delaware
Abbott Health Products, LLC	Delaware
Abbott Holdings LLC	Delaware
Abbott Informatics Corporation	Florida
Abbott International LLC	Delaware
Abbott Laboratories Inc.	Delaware
Abbott Laboratories International LLC	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Management LLC	Delaware
Abbott Molecular Inc.	Delaware
Abbott Nutrition Manufacturing Inc.	Delaware
Abbott Point of Care Inc.	Delaware
Abbott Procurement LLC	Delaware
Abbott Products Operations, LLC	Delaware
Abbott Resources Inc.	Delaware
Abbott Resources International Inc.	Delaware
Abbott Universal LLC	Delaware
Abbott Vascular Inc.	Delaware
Abbott Vascular Solutions Inc.	Indiana
Abbott Ventures Inc.	Delaware
Advanced Neuromodulation Systems, Inc.	Texas
AGA Medical Corporation	Minnesota
AGA Medical Holdings, Inc.	Delaware
Alere Connect, LLC	Delaware
Alere Holdco, Inc.	Delaware
Alere Home Monitoring, Inc.	Delaware
Alere Inc.	Delaware
Alere Informatics, Inc.	Virginia
Alere International Holding Corp.	Delaware
Alere North America, LLC	Delaware
Alere Phoenix ACQ, Inc.	Delaware
Alere San Diego, Inc.	Delaware
Alere Scarborough, Inc.	Delaware
Alere Toxicology Services, Inc.	Louisiana
Alere Toxicology, Inc.	Florida
Alere US Holdings, LLC	Delaware
Amedica Biotech, Inc.	California
Ameditech Inc.	California
American Medical Supplies, Inc.	Florida
AML Medical, LLC	Delaware
APK Advanced Medical Technologies LLC	Georgia
Arriva Medical, LLC	Florida
ATS Laboratories, Inc.	Delaware
Avee Laboratories Inc.	Florida
Bioabsorbable Vascular Solutions, Inc.	Delaware
Biohealth LLC	Delaware
Biosite Incorporated	Delaware
Branan Medical Corporation	Nevada
California Property Holdings III LLC	California
CardioMEMS LLC	Delaware
Cephea Valve Technologies, Inc.	Delaware
Continuum Services LLC	Delaware
Epocal (US), Inc.	Delaware
eScreen, Inc.	Delaware
Evalve International, Inc.	Delaware
Evalve, Inc.	Delaware
First Check Diagnostics, LLC	Delaware
Fournier Pharma Corp.	Delaware

Global Analytical Development LLC  
Hi-Tronics Designs, Inc.  
Ibis Biosciences LLC

Florida  
New Jersey  
Delaware

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IDEV Technologies, Inc.  
 IMTC Technologies, Inc.  
 Innovacon, Inc  
 Instant Tech Subsidiary Acquisition Inc  
 Instant Technologies, Inc.  
 Integrated Vascular Systems, Inc  
 Inverness Medical Innovations SK, LLC  
 Inverness Medical Investments, LLC  
 Inverness Medical, LLC  
 Ionian Technologies, LLC  
 Irvine Biomedical, Inc.  
 Laboratory Specialists of America, Inc  
 Lake Forest Investments LLC  
 Lightlab Imaging, Inc  
 MediGuide, LLC  
 Midwest Properties LLC  
 Murex Diagnostics, Inc  
 Natural Supplement Association, LLC  
 NeuroTherm LLC  
 North Shore Properties, Inc.  
 Pacesetter, Inc.  
 PBM-Selfcare, LLC  
 PDD II, LLC  
 PDD, LLC  
 Pembroke Occupational Health, Inc.  
 Quality Assured Services, Inc.  
 Redwood Toxicology Laboratory, Inc.  
 RF Medical Holdings LLC  
 RTL Holdings, Inc.  
 Sealing Solutions, Inc  
 Selfcare Technology, Inc.  
 SJM International, Inc.  
 SJM Thunder Holding Company  
 SPDH, Inc  
 Spinal Modulation LLC  
 St. Jude Medical ATG, Inc  
 St. Jude Medical Business Services, Inc.  
 St. Jude Medical Europe, Inc.  
 St. Jude Medical S.C., Inc.  
 St. Jude Medical, Atrial Fibrillation Division, Inc  
 St. Jude Medical, Cardiology Division, Inc.  
 St. Jude Medical, LLC  
 Standing Stone, LLC  
 Swan-Myers, Incorporated  
 TCI LLC  
 Tendyne Holdings, Inc.  
 Tendyne Medical, Inc.  
 Thoratec Delaware LLC  
 Thoratec LLC  
 Tobal Products Incorporated  
 Topera, Inc.  
 US CD LLC  
 X Technologies Inc.  
 ZonePerfect Nutrition Company

## Foreign Subsidiaries

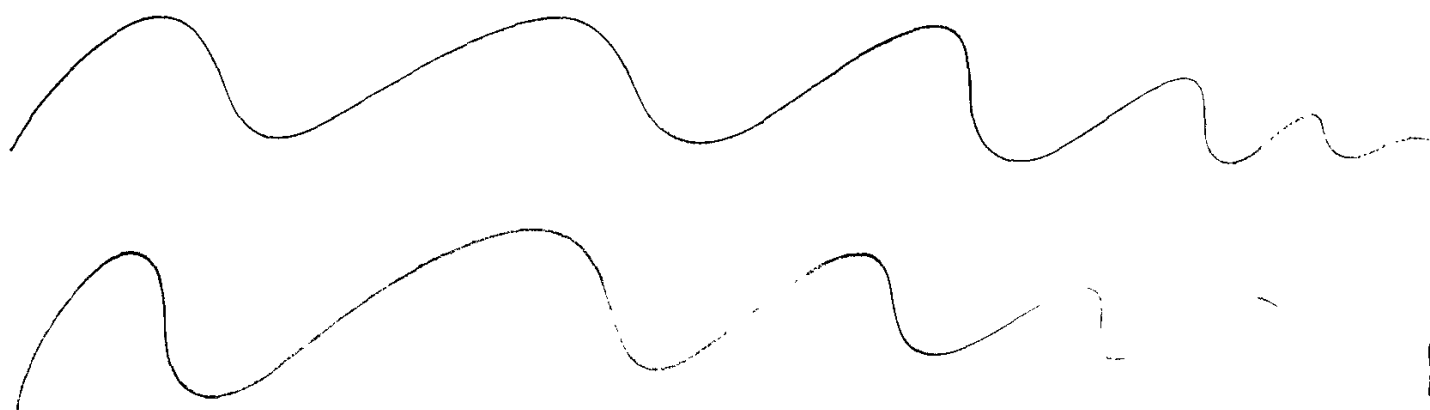
**Abbott Products Algeria EURL**  
**Abbott Laboratorios Argentina Sociedad Anónima**  
**Alere S.A.**  
**Atlas Farmacéutica S.A**  
**Laboratorio Internacional Argentino S.A.**  
**Metropolitana Farmacéutica S.A**

**Murex Argentina S.A.**  
**Novamedí S.A.**  
**Polygon Labs S.A.**  
**St. Jude Medical Argentina S.A.**  
**Abbott Australasia Pty Ltd**  
**Abbott Medical Australia Pty Ltd**  
**Alere Holdings Pty Limited**  
**Inverness Medical Innovations Australia Pty, Ltd**  
**Abbott Gesellschaft m.b.H**  
**Abbott Medical Austria Ges.m.b.H**  
**Alere GmbH (Austria)**  
**Normann Pharma-Handels GmbH**

St. Jude Medical Export Ges m.b.H.

Austria

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W&R Pharma Handels GmbH  
 Abbott Bahamas Overseas Businesses Corporation  
 Abbott Holdings Limited  
 Abbott Laboratories (Bangladesh) Limited  
 Alere Bangladesh Limited  
 Abbott Financial Holdings SRL  
 Murex Diagnostics International Inc.  
 Abbott  
 Abbott Belgian Investments  
 Abbott Medical Belgium  
 Abbott Vascular International  
 AGA Medical Belgium  
 Alere Health BVBA  
 Alere Medical BVBA  
 Endocardial Solutions  
 St. Jude Medical Coordination Center  
 Abbott Bermuda Holding Ltd.  
 Abbott Diagnostics International, Ltd.  
 Abbott Healthcare (Puerto Rico) Ltd.  
 Abbott International Enterprises, Ltd  
 Abbott International Holdings Limited  
 Abbott Ireland  
 Abbott Strategic Opportunities Limited  
 Alere Holdings Bermuda Limited  
 ATS Bermuda Holdings Limited  
 Pharmatech Boliviana, S.A  
 Abbott društvo sa ograničenom odgovornošću za trgovinu i usluge  
 Abbott Laboratórios do Brasil Ltda  
 Alere S/A  
 Farmacologia Em Aquicultura Veterinária Ltda  
 St. Jude Medical Brasil Ltda.  
 American Pharmacist Inc.  
 Rich Horizons International Limited  
 Abbott Informatics Canada, Inc  
 Abbott International Corporation  
 Abbott Laboratories, Limited - Laboratoires Abbott, Limitée  
 Abbott Medical Canada, Inc./ Médicale Abbott Canada, Inc.  
 Abbott Point of Care Canada Limited  
 Alere ULC  
 eScreen Canada ULC  
 Inverness Canadian Acquisition Corporation  
 Abbott Laboratories (Chile) Holdeo (Dos) SpA  
 Abbott Laboratories (Chile) Holdeo SpA  
 Abbott Laboratories de Chile Limitada  
 Antares S.A.  
 Aquagestion Capacitación S.A.  
 Aquagestion S.A.  
 Banco de Vida S.A  
 Bioalgae S.A.  
 CFR Chile S.A  
 Consorcio Tecnológico en Biomedicina Clínico-Molecular S.A.  
 Dextech S.A.  
 Espri de Vie S.A.  
 Farmacología en Acuicultura Veterinaria FAV S.A.  
 Igloo Zone Chile S.A.  
 Instituto de Criopreservación de Chile S.A  
 Inversiones K2 SpA  
 Laboratorios Lafi Limitada  
 Laboratorios Recalcine S.A.  
 Novasalud com S.A.  
 Recben Xenerics Farmaceutica Limitada  
 Vida Cell Inversiones S.A.  
 Vida Cell S.A  
 Abbott (Jiaxing) Nutrition Co., Ltd  
 Abbott Laboratories Trading (Shanghai) Co., Ltd.  
 Abbott Medical (Shanghai) Co., Ltd  
 Abbott Medical Devices Trading (Shanghai) Co., Ltd  
 ABON Biopharm (Hangzhou) Co., Ltd.  
 Alere (Shanghai) Diagnostics Co., Ltd  
 Alere (Shanghai) Healthcare Management Co., Ltd  
 Alere (Shanghai) Medical Sales Co., Ltd.  
 Alere (Shanghai) Technology Co., Ltd  
 Alere China Co., Ltd.  
 Inverness Medical (Beijing) Co., Ltd

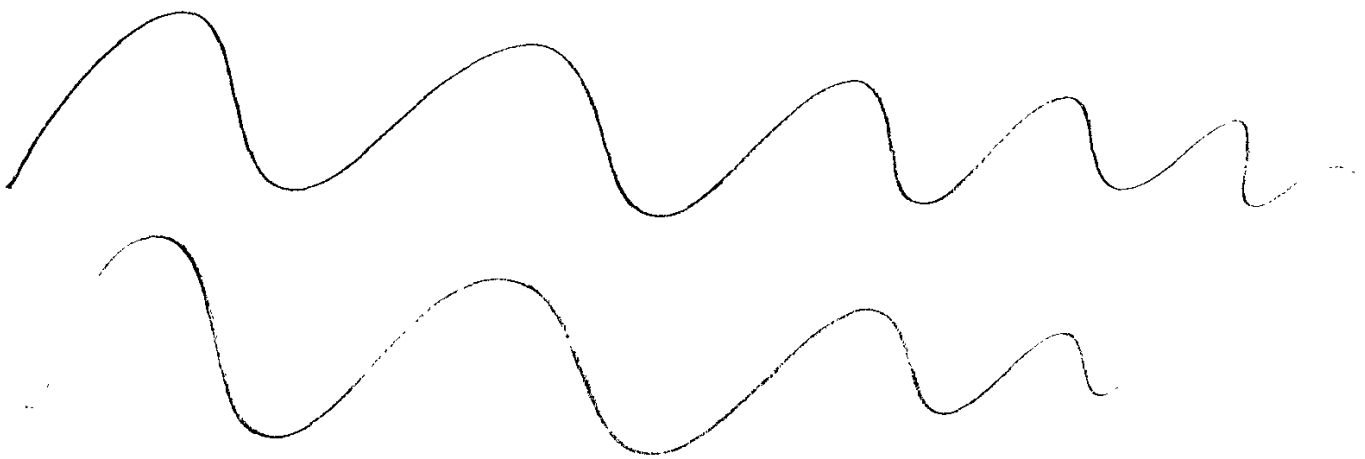
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Shandong Abbott Dairy Product Co., Ltd

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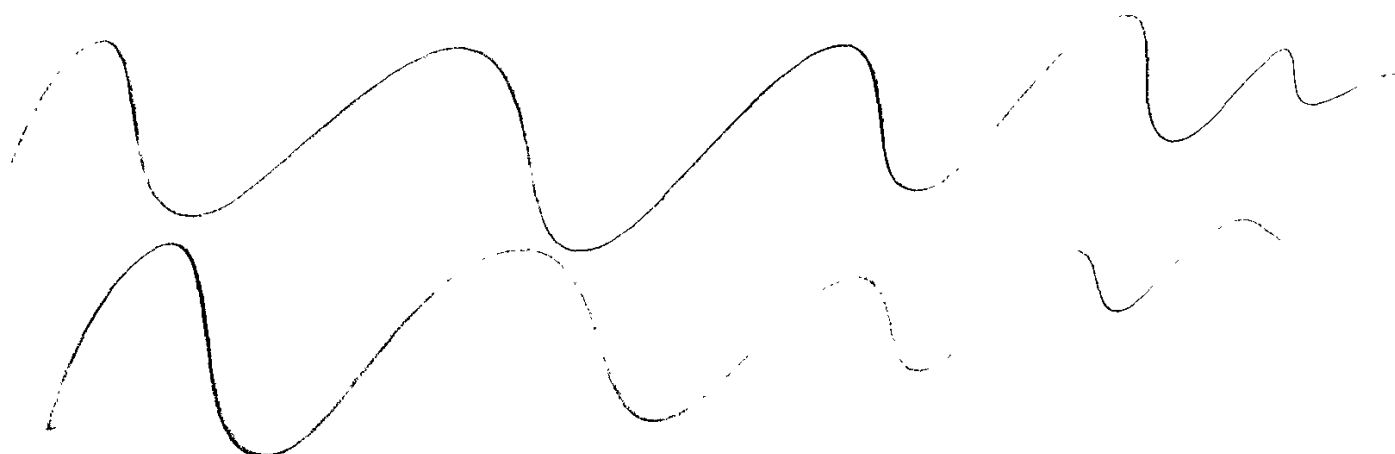


Shanghai Abbott Medical Devices Science and Technology Co., Ltd.  
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 Shanghai Si Fa Pharmaceutical Company Limited  
 Abbott Laboratories de Colombia, S.A.  
 Alere Colombia S.A.  
 American Generics S.A.S.  
 Distribuciones Uquifa S.A.S.  
 Focus Pharmaceutical S.A.S.  
 Laboratorio Franco Colombiano Laffanco S.A.S.  
 Laboratorio Synthesis S.A.S.  
 Laboratorios Naturmedik S.A.S.  
 Laboratorios Pauly Pharmaceutical S.A.S.  
 Laffanco Internacional S.A.S.  
 St. Jude Medical Colombia, Ltda.  
 Abbott Healthcare Costa Rica, S.A.  
 Abbott Vascular Limitada  
 Gynopharm Sociedad Anonima  
 St. Jude Medical Costa Rica Limitada  
 Abbott Laboratories d.o.o.  
 Abbott Medical Overseas Cyprus Limited  
 Abbott Overseas Cyprus Limited  
 Arvis Investments Limited  
 Abbott Laboratories, s.r.o.  
 Alere s.r.o.  
 Abbott Laboratories A/S  
 Abbott Medical Denmark A.S.  
 Alere A/S  
 Inversiones Komodo, S.R.L.  
 Laffanco Dominicana, S.A.S.  
 Abbott Laboratorios del Ecuador Cia. Ltda.  
 Fadapharma del Ecuador S.A.  
 Farmacologia en Acuicultura Veterinaria FAV Ecuador S.A.  
 Laboratorio Franco Colombiano del Ecuador S.A.  
 Laboratorios Transpharm S.A.  
 Nutravida S.A.  
 Western Pharmaceuticals S.A.  
 Abbott Healthcare LLC  
 Abbott Limited Egypt LLC  
 Abbott Products Egypt LLC  
 Abbott Products Limited  
 Abbott Sociedad Anonima de Capital Variable  
 CFR Interamencas EL Salvador, Sociedad Anonima de Capital Variable  
 Abbott Medical Estonia OÜ  
 Abbott Medical Finland Oy  
 Abbott Oy  
 Alere Oy Ab  
 Abbott France S.A.S.  
 Abbott Informatics France  
 Abbott Medical France SAS  
 Abbott Products Distribution SAS  
 Alere SAS  
 Laboratoires Fournier S.A.S.  
 Organics France SAS  
 Vivalsol  
 Abbott Diagnostics GmbH  
 Abbott GmbH & Co. KG  
 Abbott Holding GmbH  
 Abbott Informatics Germany GmbH  
 Abbott Laboratories GmbH  
 Abbott Management GmbH  
 Abbott Medical GmbH  
 Abbott Vascular Instruments Deutschland GmbH  
 Alere Diagnostics GmbH  
 Alere DoA Holding GmbH  
 Alere GmbH (Germany)  
 Alere Holding GmbH  
 Alere Technologies GmbH  
 Diagnostik Nord GmbH  
 Fournier Pharma GmbH  
 Gabmed GmbH  
 Topera GmbH in Liquidation  
 Abbott Established Products Holdings (Gibraltar) Limited  
 Abbott Holding (Gibraltar) Limited  
 Abbott Holding Subsidiary (Gibraltar) Limited

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 Gibraltar

Abbott Laboratories(Hellas) Societe Anonyme

Greece



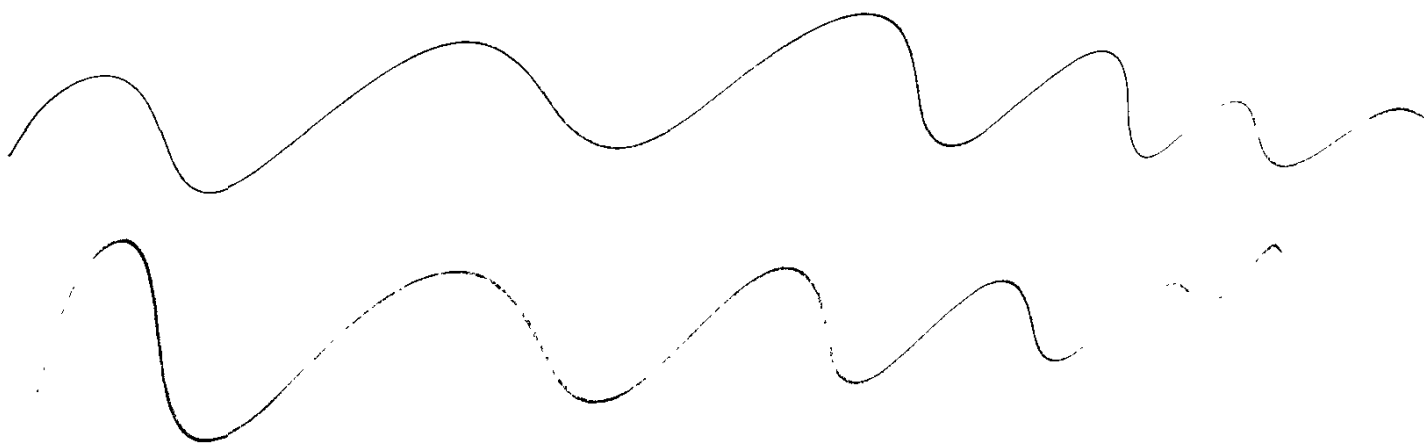
Abbott Medical Hellas Limited Liability Trading Company  
Abbott Laboratorios, S.A.  
Lafrancoel Guatemala S A Sociedad Anónima  
Negocios Denia, Sociedad Anónima  
Comercializadora y Distribuidora CFR Interaméricas Honduras S.A.  
Abbott Informatics Asia Pacific Limited  
Abbott Laboratories Limited  
Abbott Medical (Hong Kong) Limited  
Alere HK Holdings, Ltd  
Inverness Medical Innovations Hong Kong Limited  
Lung Fung Hong (China) Limited  
Abbott Hungary Korlátolt Felelősségű Társaság  
Abbott Medical Korlátolt Felelősségű Társaság  
Abbott Healthcare Private Limited  
Abbott India Limited  
Alere Medical Private Limited  
Inverness Medical Shirla Private Limited  
St. Jude Medical India Private Limited  
PT Alere Health  
PT. Abbott Indonesia  
PT. Abbott Products Indonesia  
Abbott Ireland Financing Designated Activity Company  
Abbott Ireland Limited  
Abbott Laboratories Vascular Enterprises  
Abbott Laboratories, Ireland, Limited  
Abbott Mature Products International Unlimited Company  
Abbott Mature Products Management Limited  
Abbott Medical Ireland Limited  
Abbott Nutrition Limited  
Abbott Products Unlimited Company  
Alere International Limited  
Alere Technologies Holdings Limited  
Apica Cardiovascular Limited  
Salviac Limited  
Abbott Informatics Technologies Ltd  
Abbott Medical Laboratories LTD  
Alere Connected Health Ltd.  
MediGuide Ltd.  
Organics Ltd.  
Abbott Medical Italia S.p.A.  
Abbott S.r.l.  
Alere S.r.l  
Alere Toxicology S.r.l.  
Abbott West Indies Limited  
Abbott Japan Co., Ltd.  
Abbott Medical Japan Co., Ltd.  
Abbott Vascular Japan Co., Ltd  
Alere Medical Co., Ltd  
St. Jude Medical Asia Pacific Holdings GK  
Abbott Kazakhstan Limited Liability Partnership  
Veropharm Limited Liability Partnership  
Abbott Korea Limited  
Abbott Medical Korea Limited  
Alere Healthcare Inc  
ALR Holdings  
Standard Diagnostics, Inc  
"Abbott Laboratories Baltics"  
Abbott Middle East S A R L.  
UAB "Abbott Laboratories"  
UAB "Abbott Medical Lithuania"  
Abbott Bulgaria Luxembourg S.à r.l.  
Abbott Healthcare Luxembourg S à r.l.  
Abbott Holding Subsidiary (Gibraltar) Limited Luxembourg S.C S  
Abbott International Luxembourg S.à r.l.  
Abbott Investments Luxembourg S à r.l.  
Abbott Nederland Luxembourg S.à r.l.  
Abbott Overseas Luxembourg S.à r.l.  
Abbott Poland Luxembourg S.à r.l  
Abbott Products Luxembourg S.à r.l.  
Abbott South Africa Luxembourg S à r l  
St. Jude Medical International Holding  
St. Jude Medical Luxembourg  
St. Jude Medical Luxembourg Holdings II  
St. Jude Medical Luxembourg Holdings NT

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St Jude Medical Luxembourg Holdings SMf Sàrl

Luxembourg

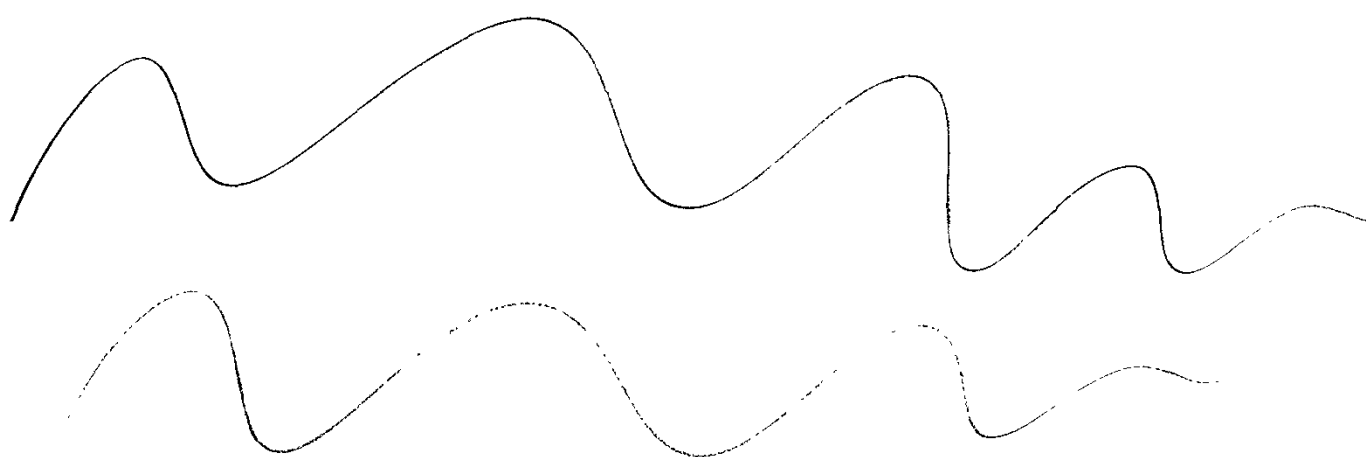
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Abbott Laboratories Poland Spółka z ograniczoną odpowiedzialnością

Poland



Abbott Medical spółka z ograniczoną odpowiedzialnością	Poland
Abbott Laboratórios, Lda	Portugal
Abbott Medical (Portugal) Distribuicao de Produtos Medicos Lda	Portugal
Alere Lda	Portugal
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico
St Jude Medical Puerto Rico LLC	Puerto Rico
Abbott Products Romania S.R.L	Romania
Abbott Products Limited Liability Company	Russian Federation
Garden Hills LLC	Russian Federation
Limited Liability Company "VEROPHARM"	Russian Federation
Limited Liability Company Abbott Laboratories	Russian Federation
LLC "VeroInPharm"	Russian Federation
OJSC "Voronezhkhimpharm"	Russian Federation
SC "VEROPHARM"	Russian Federation
Abbott Saudi Arabia Trading Company	Saudi Arabia*
Abbott Medical Balkan d o o Beograd (Novi Beograd)	Serbia
Abbott Informatics Singapore Pte. Limited	Singapore
Abbott Laboratories (Singapore) Private Limited	Singapore
Abbott Manufacturing Singapore Private Limited	Singapore
Abbott Medical (Singapore) Pte Ltd	Singapore
Abbott Operations Singapore Pte. Ltd.	Singapore
Alere Pte Ltd	Singapore
Abbott Laboratories Slovakia s r o	Slovakia
Abbott Laboratories družba za farmacijo in diagnostiko d o.o.	Slovenia
Abbott Laboratories South Africa (Pty) Ltd.	South Africa
Alere Healthcare (Pty) Limited	South Africa
Murex Biotech South Africa	South Africa
Pantech (RF) (PTY) LTD	South Africa*
Abbott Doral Investments, S.L.	Spain
Abbott Informatics Spain, S A	Spain
Abbott Laboratories, S.A	Spain
Abbott Medical España, S.A.	Spain
Abbott Products (Spain), S.L.	Spain
Alere Healthcare, S L.	Spain
Alere Spain, S.L.	Spain
Farmaceutica Mont Blanc, S L.	Spain
Igloo Zone, S L.	Spain
Omnilab Iberia, Sociedad Limitada	Spain
Abbott Medical Sweden AB	Sweden
Abbott Scandinavia Aktiebolag	Sweden
Alere AB	Sweden
Alere Toxicology AB	Sweden
Colibri Medical Aktiebolag	Sweden
European Drug Testing Service EDTS AB	Sweden
St. Jude Medical AB	Sweden
St. Jude Medical Systems AB	Sweden
Abbott AG	Switzerland
Abbott Finance Company SA	Switzerland
Abbott Laboratories SA	Switzerland
Abbott Medical (Schweiz) AG	Switzerland
Abbott Products Operations AG	Switzerland
Alere GmbH	Switzerland
Alere Switzerland GmbH	Switzerland
SPD Swiss Precision Diagnostics GmbH	Switzerland*
St. Jude Medical GVA Sàrl	Switzerland
Thoratec Switzerland GmbH	Switzerland
Abbott Medical Taiwan Co	Taiwan Province of China
Alere Health Corp.	Taiwan Province of China
Abbott Fund Tanzania Limited	Tanzania
Abbott Laboratories Limited	Thailand
Abbott Medical (Thailand) Co., Ltd.	Thailand
Abbott Products Tunisie S A R.L.	Tunisia
Abbott Laboratuvarları İthalat İhracat ve Ticaret Ltd Sti	Turkey
St. Jude Medical Turkey Medikal Ürünler Ticaret Limited Şirketi	Turkey
Limited Liability Company "Abbott Ukraine"	Ukraine
Товариство з обмеженою відповідальністю «Верофарм» (ТОВ «Верофарм»)	Ukraine
St. Jude Medical Middle East DMCC	United Arab Emirates
Abbott (UK) Finance Limited	United Kingdom
Abbott (UK) Holdings Limited	United Kingdom
Abbott Asia Holdings Limited	United Kingdom
Abbott Asia Investments Limited	United Kingdom
Abbott Australasia Holdings Limited	United Kingdom
Abbott Capital India Limited	United Kingdom
Abbott Diabetes Care Limited	United Kingdom



Abbott Equity Holdings Unlimited

United Kingdom

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*[Handwritten signature]*

Abbott Healthcare Products Ltd	United Kingdom
Abbott Iberian Investments (2) Limited	United Kingdom
Abbott Iberian Investments Limited	United Kingdom
Abbott Informatics Europe Limited	United Kingdom
Abbott Laboratories Limited	United Kingdom
Abbott Laboratories Trustee Company Limited	United Kingdom
Abbott Medical U.K. Limited	United Kingdom
Abbott Vascular Devices (2) Limited	United Kingdom
Abbott Vascular Devices Limited	United Kingdom
Alere AS Holdings Limited	United Kingdom
Alere BBI Holdings Limited	United Kingdom
Alere Connected Health Limited	United Kingdom
Alere Healthcare Connections Limited	United Kingdom
Alere Limited	United Kingdom
Alere Technologies Limited	United Kingdom
Alere Toxicology plc	United Kingdom
Alere UK Holdings Limited	United Kingdom
Alere UK Subco Limited	United Kingdom
Alisoc Investment & Co	United Kingdom
Axis-Shield Diagnostics Limited	United Kingdom
Axis-Shield Ltd	United Kingdom
BBI Animal Health Limited	United Kingdom
BBI Diagnostics Group 2 Public Limited Company	United Kingdom
British Colloids Limited	United Kingdom
Concateno South Limited	United Kingdom
Concateno UK Limited	United Kingdom
Cozart Limited	United Kingdom
European Chemicals & Co	United Kingdom
Forensics Limited	United Kingdom
Fournier Pharmaceuticals Limited	United Kingdom
Globapharm & CO LP	United Kingdom
Gynocare Limited	United Kingdom
IG Innovations Limited	United Kingdom
Knoll UK Investments Unlimited	United Kingdom
Mansbridge Pharmaceuticals Limited	United Kingdom
Medscreen Holdings Limited	United Kingdom
Murex Biotech Limited	United Kingdom
Sinensix & Co	United Kingdom
SPD Development Company Limited	United Kingdom*
Thoratec Europe Limited	United Kingdom
TwistDX Limited	United Kingdom
Unipath Limited (dba Alere International/aka Cranfield)	United Kingdom
Unipath Management Limited	United Kingdom
Unipath Pension Trustee Limited	United Kingdom
Abbott Laboratories Uruguay S.A.	Uruguay
Abbott Operations Uruguay S.R.L.	Uruguay
Bosque Bonito S.A.	Uruguay
European Services S.A.	Uruguay
Fernwood Investment S.A.	Uruguay
Kangshenyunga S.A.	Uruguay
Penagos S.A.	Uruguay
Pharmaceutical Technologies (Pharmatech) S.A.	Uruguay
Tremora S.A.	Uruguay
Tuenir S.A.	Uruguay
Abbott Laboratories, C.A	Venezuela
Gynopharm de Venezuela, C.A	Venezuela
3A Nutrition (Vietnam) Company Limited	Viet Nam
Domesco Medical Import-Export Joint-Stock Corporation	Viet Nam*
Glomed Pharmaceutical Company Limited	Viet Nam
Abbott Trading Company, Inc	Virgin Islands, U.S.

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Exhibit 23.1

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements

- 1) Registration Statement No. 333-158782 on Form S-8 for the Abbott Laboratories 2009 Incentive Stock Program,
- 2) Registration Statement Nos. 333-09071, 333-43381, 333-69547, 333-93253, 333-52768, 333-74228, 333-102178, 333-109250, 333-124850, and 333-158782 on Form S-8 for the Abbott Laboratories 1996 Incentive Stock Program,
- 3) Registration Statement Nos. 333-74220, 333-102179, 333-124851, 333-153200, 333-169886, 333-204773 and 333-227803 on Form S-8 for the Abbott Laboratories Deferred Compensation Plan,
- 4) Registration Statement Nos. 33-26685, 33-50452, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257, 333-74224, 333-102180, 333-109253, 333-124849, 333-141116, 333-153198, 333-169888, 333-204772 and 333-227802 on Form S-8 for the Abbott Laboratories Stock Retirement Program and Trusts;
- 5) Registration Statement No. 333-158124 on Form S-8 for the Amended and Restated Advanced Medical Optics, Inc. 2002 Incentive Compensation Plan, as amended, the 2004 Stock Incentive Plan, as amended and restated, the Advanced Medical Optics, Inc. 2005 Incentive Compensation Plan, the VISX, Incorporated 2001 Nonstatutory Stock Option Plan, the VISX, Incorporated 2000 Stock Plan, the VISX, Incorporated 1995 Director Option and Stock Deferral Plan, as amended and restated, and the VISX, Incorporated 1995 Stock Plan, as amended;
- 6) Registration Statement No. 333-202508 on Form S-3;
- 7) Registration Statement Nos. 333-212002 and 333-216141 on Form S-4;
- 8) Post-Effective Amendment on Form S-8 to Registration Statement No. 333-212002 on Form S-4 for the St. Jude Medical, Inc. 2007 Stock Incentive Plan, as Amended and Restated (2014) and the Thoratec Corporation Amended and Restated 2006 Incentive Stock Plan,
- 9) Registration Statement Nos. 333-215423 and 333-227804 on Form S-8 for the Management Savings Plan (f/k/a the St. Jude Medical, Inc. Management Savings Plan), as amended and restated effective January 1, 2016, and
- 10) Registration Statement No. 333-217540 on Form S-8 for the Abbott Laboratories 2017 Incentive Stock Program and the Abbott Laboratories 2017 Employee Stock Purchase Plan for Non-U.S. Employees

of our reports dated February 22, 2019, with respect to the consolidated financial statements, schedule and the effectiveness of internal control over financial reporting of Abbott Laboratories and subsidiaries, included in this Annual Report (Form 10-K) of Abbott Laboratories and subsidiaries for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 22, 2019

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QuickLinks

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Exhibit 31.1

**Certification of Chief Executive Officer  
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))**

I, Miles D. White, certify that:

- 1 I have reviewed this annual report on Form 10-K of Abbott Laboratories.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report.
- 4 Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
  - (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and
- 5 Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ MILES D. WHITE

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

Date: February 22, 2019

QuickLinks

Exhibit 31.1

Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

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Exhibit 31.2

**Certification of Chief Financial Officer**  
**Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))**

I, Brian B. Yoor, certify that

- 1 I have reviewed this annual report on Form 10-K of Abbott Laboratories;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report;
- 4 Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
  - (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and
- 5 Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information, and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ BRIAN B. YOOR

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

Date: February 22, 2019

QuickLinks

[Exhibit 31.2](#)

[Certification of Chief Financial Officer Required by Rule 13a-14\(a\) \(17 CFR 240.13a-14\(a\)\)](#)



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Exhibit 32.1

**Certification Pursuant To  
18 U.S.C. Section 1350  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Miles D. White, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ MILES D. WHITE

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

Date February 22, 2019

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.

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QuickLinks

[Exhibit 32.1](#)

Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

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Exhibit 32.2

**Certification Pursuant To  
18 U.S.C. Section 1350  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Brian B. Yoor, Executive Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ BRIAN B. YOOR

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

Date: February 22, 2019

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.

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QuickLinks

Exhibit 32.2

Certification Pursuant To 18 U.S.C. Section 1350 As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

A large, stylized handwritten signature in black ink, consisting of several connected loops and curves, spanning across the middle of the page.