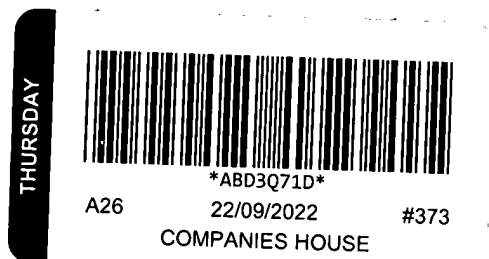


Abbott Laboratories Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Registration number: 00329102

Abbott Laboratories Limited

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Abbott Laboratories Limited

Company Information

Directors

N Harris

J McCoy

M Clayton

Company secretary

K Gogay

Registered office

Abbott House,

Vanwall Business Park,

Vanwall Road,

Maidenhead,

Berkshire,

SL6 4XE,

United Kingdom.

Registration number

00329102

Bankers

BNP Paribas,

10 Harewood Avenue,

London,

NW1 6AA,

United Kingdom.

Auditor

Ernst & Young, Chartered Accountants

Harcourt Centre,

Harcourt Street,

Dublin 2,

Ireland.

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Principal Activity

The principal activity of the Company is the sale and distribution of a diverse range of healthcare products across nutrition, diagnostics and medical devices sectors in the United Kingdom (UK). There have not been any significant changes in the Company's principal activities in the year under review.

Results and Performance

The results of the Company for the year, as set out on pages 15 to 16, show an operating profit on continuing operations of £13,206,000 (2020: £14,016,000). The net assets of the Company, as presented on page 17, are £580,157,000 (2020: £320,924,000).

The performance of the Company during 2021 has been strong. Sales of FreeStyle Libre, Abbott's ground-breaking Flash Glucose Monitoring system, continue to show strong and sustained growth supported by the launch of new product generations. In Nutrition, market growth continues to drive an increase in revenue. In Diagnostics revenue from sales of COVID-19 tests remained strong, with a minor decrease from 2020 when the pandemic was at its most intense.

The Directors consider the results for the financial year and the position of the Company at the balance sheet date to be satisfactory.

As disclosed in note 13 to the accompanying financial statements, on 1 November 2021, the Company obtained a 100% shareholding in Abbott (UK) Finance Limited from Abbott (UK) Holdings Limited, the Company's immediate parent. As total consideration for the shares transferred to it, the Company issued and allotted to Abbott (UK) Holdings Limited one Ordinary share with a nominal value of £1, at a premium. The transaction has been accounted for as a group reconstruction using merger accounting as the effective rights of the equity holders remained unchanged.

As also disclosed in note 13 to the accompanying financial statements, on 13 December 2021, the Company made a capital contribution of £60,000,000 by way of a cash payment, to its wholly owned subsidiary, Abbott Diabetes Care Limited. In exchange the Company received one ordinary share in Abbott Diabetes Care Limited.

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Key Performance Indicators (KPIs)

The Board monitors the progress of the Company through the following KPIs. There are no non-financial KPIs used to monitor performance.

| | 2021 | 2020 | |
|--|---------|---------|---|
| | £'000 | £'000 | |
| Turnover (continuing operations) | 443,189 | 394,395 | Rapid growth of FreeStyle Libre within the diabetes care business (part of the medical devices sector) and market growth within the nutritional business. |
| Operating profit (continuing operations) | 13,206 | 14,016 | Increase in gross profit in line with revenue, offset by higher distribution costs and increased promotional spend. |
| Current ratio | 125% | 183% | Decrease driven by additional short-term intra-group borrowings to finance a capital contribution made to a subsidiary undertaking. |
| Average employee numbers | 570 | 562 | Increase in line with increased revenue. |

Future Developments

The Directors aim to maintain the management policies which have resulted in the Company's growth in recent years. The Directors anticipate that, despite a challenging environment for the healthcare industry, the strong growth in sales and operating profit seen in recent years will continue into 2022 driven by key products such as FreeStyle Libre and Alinity.

On 24 February 2022, the UK government announced its Living With COVID Plan, essentially removing all remaining coronavirus (COVID-19) restrictions with immediate effect. This change reflects the comprehensive vaccine program and reduced number of infections in the UK. The healthcare system has returned to something approaching a business as usual status, albeit with significant waiting lists for many procedures. The demand for COVID-19 tests has been highly volatile. Abbott expects this volatility to continue as the possible emergence and severity of new variants are unpredictable. Due to the unpredictability of the duration and impact of the COVID-19 pandemic, the extent to which the pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain.

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 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.

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal Risks and Uncertainties (continued)

Financial risks: A portion of the Company's purchases are denominated in Euro and US Dollars (USD) and it is therefore exposed to fluctuations in those currencies against the Pound Sterling. The Company hedges its foreign currency balance sheet position to minimise this risk. The Company also hedges its currency exposure to USD intra-group purchases over a time horizon of approximately 18 months via Abbott's centrally managed currency hedge programme.

Liquidity risk: The Company actively manages working capital and is in a strong net current assets position. The Company is not reliant upon external funding or group support. In addition to this, it is consistently in a cash generative position. It is not anticipated that this is likely to change in the foreseeable future given the market share, established product portfolio along with strong customer relationships that have been established.

Credit risk: The Company continually monitors credit exposure with all customers through the setting and monitoring of credit limits. A significant proportion of the Company's sales is from the public sector with any credit loss risk considered to be very low.

Legal and compliance risk: The Company operates in several areas of the highly regulated Healthcare sector. Additionally, government regulation imposes increasing demands on companies to demonstrate that they are 'doing the right thing'. A failure to properly manage these requirements would expose the Company to the risk of reputational damage, fines, penalties and competitive disadvantage. This risk is managed through the setting of appropriate policies and through the collaboration of various compliance-related functions across the business.

Commercial execution risk: The Company operates within a dynamic and competitive industry. Effective communication and engagement with customers are critical to the long-term success of the business. A failure to execute the right priorities and structures on a timely basis will compromise the ability of the Company to remain ahead of competitors in key market sectors. Commercial execution is tracked in detail within each divisional team and reported to senior management.

Investment risk: The Company holds investments in various subsidiary companies. It is therefore exposed to the risk that these entities do not perform as expected and an impairment of the investment in shareholdings will become necessary. The Directors monitor this risk through their roles as directors of the subsidiary companies where that is the case and through regular business updates provided by subsidiary company management where it is not. The need for an impairment is assessed annually.

Section 172(1) Statement

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the Directors' statement required under section 414CZA, of The Companies Act 2006.

Stakeholder Engagement

Abbott is an active participant in the global dialogue on health and the broader role of business. We know that listening to our stakeholders is vital to our success. It enables us to respond with relevant, local solutions that meet people's changing needs and tackle the world's most important health challenges.

Our stakeholder engagement is conducted formally, through the many associations and partnerships of which we are members. We also seek to engage with stakeholders more informally, through networks and organisations in which we participate.

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Stakeholder Engagement (continued)

Our core values of Pioneering, Achieving, Caring and Enduring are the foundation of our identity as a company. They define how we do our work and serve our stakeholders. Aligning our organisation around this cohesive set of values is critical to the fulfilment of our mission and the achievement of our business goals.

- Pioneering: Bringing life-changing health technologies to the people who need it
- Achieving: Delivering customer-focused outcomes and world-class execution
- Caring: Helping people live fuller lives through better health
- Enduring: Managing the company to ensure its long-term success

Our local country businesses play an important role in forming relationships with stakeholders. We have defined a stakeholder engagement methodology to be used by each Abbott business and affiliate, which guides Abbott leaders in setting their local engagement strategies. We also require our local teams to review their stakeholder engagement strategies on a regular basis. We report the outcomes of local stakeholder engagement in country-level citizenship reports or at local stakeholder forums. Through our engagement, we aim to stay well informed on the major issues of concern to all stakeholders, wherever we operate.

During the year the Directors undertook a variety of activities to engage with stakeholders at a local level and bring their voice into the boardroom.

Customers

Customers are at the heart of everything we do. During the year, the Directors received regular updates on key customer issues through a variety of channels, including direct attendance at customer meetings, key account reporting through individual divisional lines of management and relevant metrics in relation to the customer service and support teams. This interaction provides important intelligence regarding customer issues and challenges and informs all aspects of business strategy development.

Employees

Abbott is committed to helping employees to build a fulfilling life and a rewarding career. The Directors gather feedback from employees through regular town hall meetings, employee surveys and via the Joint Consultative Forum, an elected representative body. The Company regularly participates in the Great Places to Work survey and the Directors use this feedback to shape Human Resources strategies over the short, medium and long-term.

Abbott seeks to communicate with its employees through elected representative bodies, team briefs, internet, intranet and site-wide emails. Communication is viewed as critical to the success of the organisation to ensure employees understand the Company's business and Abbott Values. Abbott uses a range of channels internally and externally to communicate with employees and external stakeholders, including prospective employees. Internally, employees can find information on Abbott via its intranet site, Abbott World and aLIVE; and externally, Abbott utilises Twitter, LinkedIn and Facebook to share news and interesting stories.

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Employees (continued)

Each division at Abbott has a clear and compelling business strategy. How an employee can contribute to business outcomes is captured in the performance management process during the annual goal setting process referred to as setting expectations, which is the driving force behind the process. This leads to an intentional discussion regarding development plans around the competencies needed to achieve these goals. Various aspects of remuneration, including the pay increase an employee receives, are closely linked to their performance.

Employees are also involved in the performance of the global Abbott corporation through participation in a UK employee share scheme. The scheme is available to all employees with a current participation rate of over 70%.

We ensure colleagues have a common awareness of the financial and economic factors affecting the Company's performance through quarterly presentations made by the UK and Ireland Finance Director to the Joint Consultative Forum. The minutes of these meetings, including the slides presented, are published to all employees. Additionally, similar presentations, which also include a summary of the performance of the global Abbott corporation, are made quarterly as part of town hall meetings at various Abbott locations around the UK.

Employee development is crucial to the success of the business. Each business unit holds Talent Management Reviews twice a year where development opportunities for all critical roles are discussed. Development plans are implemented to ensure vacancies are filled internally wherever possible.

Government

The Directors recognise the importance of active engagement with government. A dedicated Government Affairs team co-ordinates interactions with government officials ensuring Abbott maintains the highest possible ethical and professional standards. The Government Affairs team works closely with the Directors, including the attendance of local board meetings, to identify areas in which Abbott's interests and those of the government and of patients naturally align.

Suppliers

The Directors recognise the significant contribution that suppliers make to Abbott's business, notably in the area of service delivery to customers. Abbott's dedicated Procurement function is delegated responsibility for key supplier relationships at a country level and where the supplier supports the business on a regional or global basis. The Procurement team regularly meets with senior representatives of key suppliers to monitor performance and to identify further opportunities to develop long-lasting and mutually beneficial partnerships.

The Directors also engage directly with the most critical suppliers whose role is vital in ensuring the Company can meet its customer commitments.

Community and Environment

As a healthcare leader, we strive to make a positive social impact on helping people live longer and better. We apply our unique strengths to identify and invest in life-changing innovations, design new business models to meet emerging healthcare needs, and find measurable ways to address social challenges through our scientific and technical expertise.

The Directors align to Abbott's environmental governance and management systems, which are driven by Abbott globally and exist as part of an integrated Environmental, Health and Safety (EHS) approach. Our EHS strategy focuses on identifying and mitigating EHS-related risk, ensuring business continuity and addressing our stakeholders' expectations that Abbott is a responsible corporate citizen. At the global level, our strategy includes systems and targets for reducing our greenhouse gas (GHG) emissions, our water use, and the volume and impact of our waste. Our EHS management and governance systems ensure that we incorporate environmental considerations into our day-to-day planning and business processes, with clear lines of accountability and senior-level leadership and support.

At a local level, the Directors acknowledge the importance of EHS as an integral part of Abbott's business operation. EHS is a standing agenda item at local board meetings and every Director takes an active role in promoting the importance of EHS matters within their organisations.

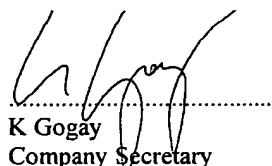
Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

How Stakeholder Interests Have Influenced Decision Making

The Directors recognise the importance of engaging with stakeholders to help inform their strategy and decision-making. Through our engagement, we aim to stay well-informed of the major issues of concern to stakeholders wherever we operate. Relevant stakeholder interests, including those of customers, employees, suppliers and others are considered by the Directors when they take decisions. We define principal decisions as those that are material, or of strategic importance to the Company, and those that are significant to any of our key stakeholder groups. In making their decisions, the Directors consider the outcomes of relevant stakeholder engagement and are mindful of their duties under the Companies Act including the specific requirements of section 172(1). The Directors also consider the need to maintain a reputation for high standards of business conduct, the need to act fairly between the members of the Company and the long-term consequences of their decisions.

Approved by the Board on 8 September 2022 and signed on its behalf by:



.....
K Gogay
Company Secretary

Abbott Laboratories Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

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

N Harris

J McCoy (appointed 22 March 2021)

K Peterson (resigned 22 March 2021)

M Clayton

Dividends

The Directors do not recommend the payment of a dividend (2020 £Nil).

Schedule 7 requirements

Applicable content per Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report in accordance with provisions in s414C (11) of the Companies Act 2006.

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 if required. Company policy and practice ensure that there is no discrimination against disabled people regarding training, career development and promotion opportunities.

Going concern

To date, the coronavirus (COVID-19) pandemic has affected the global Abbott group's ("Abbott") diversified health care business in various ways, with some businesses performing at the levels required to successfully meet new demands, others having faced challenges during periods when the number of COVID-19 cases significantly increased, and still others being relatively less impacted by the pandemic. While Abbott's 2021 and 2020 sales were most significantly affected by the COVID-19 pandemic, the increase in total sales over the last three years also reflects the introduction of new products across various businesses as well as higher sales of various existing products. To date COVID-19 has not had a significant adverse impact on the Company.

Abbott's Diagnostics segment experienced the most significant change in sales from 2019 to 2021 as a result of the COVID-19 pandemic. In 2020 and 2021, Abbott mobilized its teams across multiple fronts to develop and launch various new diagnostic tests for COVID-19. With respect to other products sold by the Diagnostics segment, demand for routine diagnostic testing generally fluctuated as the number of COVID-19 cases changed in various geographic regions throughout the two-year period. Abbott's nutrition and diabetes care businesses were the least impacted by the pandemic. In 2022, Abbott will focus on continuing to meet the demand for COVID-19 tests and will continue to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years.

Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain.

Abbott Laboratories Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Going concern (continued)

The Company generated a net profit of £8,849,000 (2020: £14,901,000), has a net asset position of £580,157,000 (2020: £320,924,000) and current assets of the Company exceed its current liabilities by £32,115,000 (2020: £76,808,000). Trading profits are expected to continue in the foreseeable future. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least twelve months to 8 September 2023.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Disclosure of information to the auditors

In the case of each person who is a director at the time the Directors' Report and financial statements are approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's statutory auditor is unaware; and
- each Director has taken steps that ought to have been taken by the Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

Auditor

The auditor, Ernst & Young, Chartered Accountants and Statutory Audit Firm will continue in office in accordance with section 487(2) of the Companies Act 2006.

Post balance sheet events

There were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Company, which require disclosure.

Streamlined Energy and Carbon Reporting

The table below sets out the Company's emissions and energy consumption.

| | GHG emissions | tCO ₂ e/£M | Total energy consumption |
|---|--------------------|-----------------------|--------------------------|
| | Scope 1 and 2 | Revenue | (KWh gross CV) |
| | tCO ₂ e | | |
| Company vehicles, grey fleet, natural gas and purchased electricity - year ended 31 December 2021 | 732 | 1.65 | 3,442,836 |
| Company vehicles, grey fleet, natural gas and purchased electricity - year ended 31 December 2020 | 896 | 2.30 | 3,974,441 |

Methodology

The data was compiled using the reporting methodology of calculating carbon emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

The Company's energy use and emissions reported relate to premises where the company has financial responsibility for energy supply and Abbott-owned, Abbott-leased and personally-owned vehicles used by employees.

The 2021 UK Government GHG Conversion Factors for Company Reporting published by the Department of Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs were applied to convert energy use to emissions of CO₂e.

Abbott Laboratories Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

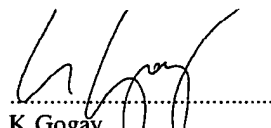
Energy Efficiency Action

To achieve a healthier planet and operate as a responsible corporate citizen, Abbott remains committed to helping address climate-related issues by reducing energy consumption and air emissions in our direct operations and throughout our value chain. The nature of our business includes a range of carbon emission sources: Scope 1 (direct) and Scope 2 (indirect) emissions from manufacturing, warehousing and office activities, and from our vehicle fleets.

Through our global value chain, we also indirectly contribute to carbon emissions through the sourcing and distribution of products, as well as the ways in which consumers and health professionals use and dispose of these products and their packaging. These are known as Scope 3 emissions.

We also are committed to minimizing the impact of our global fleet of Abbott-owned, Abbott-leased and personally-owned vehicles used by employees. As an example, to reduce our environmental impact, we are solely ordering electric vehicles and are accelerating our replacement cycle of traditionally fuelled vehicles. Abbott's UK operations have also upgraded plant and machinery in order to achieve greater energy efficiency.

Approved by the Board on 8 September 2022 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently; and
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the financial statements, state whether FRS 102 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' report that comply with that law and those regulations.

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 2021 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 24, 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 2021 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months to 8 September 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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.

We have nothing to report in this regard.

Continued/...

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED (Continued)

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
- the financial statements are not in agreement with the accounting records; 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 11, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Continued/...

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED
(Continued)**

***Explanation as to what extent the audit was considered capable of detecting irregularities,
including fraud (Continued)***

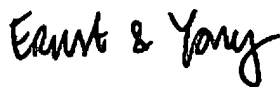
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Companies Act 2006 and relevant tax compliance regulations in the UK.
- We understood how Abbott Laboratories Limited is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our enquiries through reading the board minutes of the Company and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiry of management, those charged with governance and others within the entity, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journal entries and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations and enquiries of management and those charged with governance.

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.

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.



Feargal De Freine (Senior statutory auditor)
for and on behalf of
Ernst & Young, Chartered Accountants and Statutory Auditor

Dublin, Ireland

13 September 2022

Abbott Laboratories Limited

Profit and Loss Account for the Year Ended 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|--|------|------------------|------------------|
| Turnover | 3 | 443,189 | 394,395 |
| Cost of sales | | <u>(319,248)</u> | <u>(288,782)</u> |
| Gross profit | | 123,941 | 105,613 |
| Distribution costs | | (17,357) | (14,495) |
| Administrative expenses | | <u>(93,378)</u> | <u>(77,102)</u> |
| Operating profit | 4 | 13,206 | 14,016 |
| Other interest receivable and similar income | 5 | 2,030 | 2,862 |
| Interest payable and similar expenses | 6 | <u>(475)</u> | <u>(444)</u> |
| Profit before tax | | 14,761 | 16,434 |
| Taxation | 10 | <u>(5,912)</u> | <u>(1,533)</u> |
| Profit for the financial year | | <u>8,849</u> | <u>14,901</u> |

The notes on pages 19 to 42 form an integral part of these financial statements.

Abbott Laboratories Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

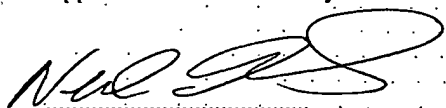
| | 2021 £ 000 | 2020 £ 000 |
|---|-----------------------------|-----------------------------|
| Profit for the financial year | <u>8,849</u> | <u>14,901</u> |
| Unrealised profit/(loss) on cash flow hedges | 8,252 | (2,344) |
| Movement on deferred tax relating to cash flow hedges | (1,796) | 498 |
| Remeasurement movement on defined benefit pension scheme | 190,100 | 6,800 |
| Movement on deferred tax relating to defined benefit pension scheme | <u>(54,172)</u> | <u>(3,677)</u> |
| | <u>142,384</u> | <u>1,277</u> |
| Total comprehensive income for the year | <u>151,233</u> | <u>16,178</u> |

The notes on pages 19 to 42 form an integral part of these financial statements.

Abbott Laboratories Limited
(Registration number: 00329102)
Balance Sheet as at 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|--|------|------------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 11 | 384 | - |
| Tangible assets | 12 | 64,790 | 59,242 |
| Investments in subsidiaries | 13 | 255,463 | 87,463 |
| | | <u>320,637</u> | <u>146,705</u> |
| Current assets | | | |
| Stocks | 14 | 29,329 | 22,076 |
| Debtors | 15 | 127,196 | 142,733 |
| Cash at bank and in hand | | 6,507 | 4,795 |
| | | <u>163,032</u> | <u>169,604</u> |
| Creditors: amounts falling due within one year | 16 | <u>(130,917)</u> | <u>(92,796)</u> |
| Net current assets | | <u>32,115</u> | <u>76,808</u> |
| Total assets less current liabilities | | 352,752 | 223,513 |
| Creditors: amounts falling due after more than one year | 16 | (8,786) | (10,886) |
| Provisions for liabilities | 10 | <u>(82,109)</u> | <u>(25,403)</u> |
| Net assets excluding pension asset | | 261,857 | 187,224 |
| Net pension asset | 17 | <u>318,300</u> | <u>133,700</u> |
| Net assets | | <u>580,157</u> | <u>320,924</u> |
| Capital and reserves | | | |
| Called up share capital | 18 | 106,842 | 106,842 |
| Share premium reserve | 19 | 138,403 | 30,403 |
| Other reserves | 19 | 20,116 | 13,660 |
| Profit and loss account | 19 | <u>314,796</u> | <u>170,019</u> |
| Total shareholders' equity | | <u>580,157</u> | <u>320,924</u> |

Approved and authorised by the Board on 8 September 2022 and signed on its behalf by:



N Harris
Director

Abbott Laboratories Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

| | Called up share capital (Note 18) £ 000 | Share premium reserve (Note 19) £ 000 | Other reserves (Note 19) £ 000 | Profit and loss account (Note 19) £ 000 | Total £ 000 |
|-----------------------------------|--|--|---|--|------------------------|
| At 1 January 2021 | 106,842 | 30,403 | 13,660 | 170,019 | 320,924 |
| Profit for the financial year | - | - | - | 8,849 | 8,849 |
| Other comprehensive income | - | - | 6,456 | 135,928 | 142,384 |
| Total comprehensive income | - | - | 6,456 | 144,777 | 151,233 |
| Issue of new shares | - | 108,000 | - | - | 108,000 |
| At 31 December 2021 | 106,842 | 138,403 | 20,116 | 314,796 | 580,157 |
| | Called up share capital (Note 18) £ 000 | Share premium reserve (Note 19) £ 000 | Other reserves (Note 19) £ 000 | Profit and loss account (Note 19) £ 000 | Total £ 000 |
| At 1 January 2020 | 106,842 | 30,403 | 15,506 | 151,995 | 304,746 |
| Profit for the financial year | - | - | - | 14,901 | 14,901 |
| Other comprehensive (loss)/income | - | - | (1,846) | 3,123 | 1,277 |
| Total comprehensive (loss)/income | - | - | (1,846) | 18,024 | 16,178 |
| At 31 December 2020 | 106,842 | 30,403 | 13,660 | 170,019 | 320,924 |

The notes on pages 19 to 42 form an integral part of these financial statements.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated and domiciled in England and Wales. These financial statements were authorised for issue by the Board on 8 September 2022.

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 20 to 22.

Statement of compliance

These financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Basis of preparation

These financial statements have been prepared using the historical cost convention except if otherwise disclosed in the accounting policies.

The Company is a qualifying entity as defined by FRS 102 and has taken advantage of the exemptions from the following disclosure requirements of FRS102:

Statement of Cash Flows as per section 3.17 (d)

Basic Financial Instruments as per sections 11.42 to 11.48C

Other Financial Instrument Issues as per sections 12.26 to 12.29

Share based payments as per sections 26.18(b), 26.19 to 26.21, 26.23

Related Party Disclosures as per sections 33.1A and 33.7.

Going concern

To date, the coronavirus (COVID-19) pandemic has affected the global Abbott group's ("Abbott") diversified health care business in various ways, with some businesses performing at the levels required to successfully meet new demands, others having faced challenges during periods when the number of COVID-19 cases significantly increased, and still others being relatively less impacted by the pandemic. While Abbott's 2021 and 2020 sales were most significantly affected by the COVID-19 pandemic, the increase in total sales over the last three years also reflects the introduction of new products across various businesses as well as higher sales of various existing products. To date COVID-19 has not had a significant adverse impact on the Company.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Abbott's Diagnostics segment experienced the most significant change in sales from 2019 to 2021 as a result of the COVID-19 pandemic. In 2020 and 2021, Abbott mobilized its teams across multiple fronts to develop and launch various new diagnostic tests for COVID-19. With respect to other products sold by the Diagnostics segment, demand for routine diagnostic testing generally fluctuated as the number of COVID-19 cases changed in various geographic regions throughout the two-year period. Abbott's nutrition and diabetes care businesses were the least impacted by the pandemic. In 2022, Abbott will focus on continuing to meet the demand for COVID-19 tests and will continue to invest in product development areas that provide the opportunity for strong sustainable growth over the next several years.

Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on Abbott's business, financial condition or results of operations is uncertain.

The Company generated a net profit of £8,849,000 (2020: £14,901,000), has a net asset position of £580,157,000 (2020: £320,924,000) and current assets of the Company exceed its current liabilities by £32,115,000 (2020: £76,808,000). Trading profits are expected to continue in the foreseeable future. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least twelve months to 8 September 2023.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

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 the United States of America ('USA'). The consolidated financial statements may be obtained from Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois, IL 60064-6400, United States of America.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Judgements

Leases

The Company has entered into commercial property leases as a lessee to obtain the use of the properties. In addition, the Company has entered into sale and leaseback transactions in relation to certain items of equipment. 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

Impairment of investments in subsidiaries

At the end of each reporting period, the carrying amounts of the Company's equity investments are reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss account.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset in prior years. A reversal of impairment is recognised immediately in the profit or loss account.

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 of 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.

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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Provision for estimated irrecoverable debtors

Provision for estimated irrecoverable debtors is determined using a combination of factors to ensure that trade debtors are not overstated due to uncertainty of recoverability. The allowance for estimated irrecoverable debtors for all customers is based on a variety of factors, including the overall quality and ageing of receivables and continuing credit evaluation of the customer's financial conditions. Also, specific allowances for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations.

Provision for stock allowance

The Company's product range is subject to changing consumer demands, expiries and technological changes. As a result, it is necessary to consider the recoverability of the cost of stock and associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

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 a 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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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.

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 the Company's Diagnostics division, certain selling arrangements include multiple products and services. 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. 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.

Taxation

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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Deferred tax

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 financial statements that arise from the inclusion of gains and losses in tax assessments in different periods from those in which they are recognised in the financial statements. 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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software: 5 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible assets

Tangible assets are stated in the balance sheet at cost less any accumulated depreciation and 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% |

Assets under construction are not depreciated until they are brought into use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments in subsidiaries

Investments in subsidiaries are initially recognised 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, investments in subsidiaries are carried at cost less provision for impairment.

Trade debtors

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

Trade debtors are recognised initially at the transaction price. 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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost is based on the latest purchase price. Net realisable value is based on nominal selling price, less anticipated applicable selling costs. Provision is made for slow moving or obsolete stock, where appropriate.

Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

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.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible 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 in the profit and loss account 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.

Sale and leaseback transactions entered into by the Company that result in a finance lease are accounted for as finance leases as set out above. Any excess of sales proceeds over the carrying amount arising from such transactions is deferred and amortised over the lease term.

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.

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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 interest receivable or interest payable.

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. Therefore, the Company has recognised the entire net defined benefit cost less those contributions paid by other group companies participating in the scheme and the relevant net defined benefit asset of the scheme in its individual financial statements.

Share based payments

The Company has applied the requirements of section 26 of FRS102. 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. The Company makes payments to the ultimate parent company in relation to restricted stock units granted to its employees. The Company records a deemed capital contribution where the value of such restricted stock units granted exceeds the payments made to the ultimate parent company. In cases where the value of the payments made to the ultimate parent company exceeds the value of such restricted stock units granted, these payments are recorded in the profit and loss account.

Derivatives

Abbott Laboratories (the ultimate parent company) enters into foreign currency forward exchange contracts on behalf of the Company, to manage currency exposures for foreign currency intercompany trade receivable or payable balances 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 at 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.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Share capital

Share capital represents the nominal (par) value of ordinary shares that have been issued. These shares are classified as equity. Direct costs of issuing equity instruments are immaterial and are therefore not deducted.

3 Turnover

The analysis of the Company's turnover for the year is as follows:

| | 2021 £ 000 | 2020 £ 000 |
|-----------------------|----------------|----------------|
| Sale of goods | 379,081 | 338,662 |
| Rendering of services | 64,108 | 55,733 |
| | <u>443,189</u> | <u>394,395</u> |

The total turnover of the Company for the financial year has been derived from its principal activities wholly undertaken in the United Kingdom.

4 Operating profit

This is stated after charging/(crediting):

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Depreciation of tangible assets | 11,169 | 8,899 |
| Depreciation of assets held under finance leases | 1,725 | 1,585 |
| Amortisation of intangible assets | 20 | - |
| Foreign exchange losses | 27 | 613 |
| Operating lease expense - plant and machinery | 1,382 | 1,156 |
| Operating lease expense - other | 3,280 | 3,248 |
| Loss/(profit) on disposal of tangible assets | <u>9</u> | <u>(141)</u> |

5 Interest receivable and similar income

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Interest income on defined benefit pension (net) (Note 17) | 2,000 | 2,700 |
| Other interest income | - | 80 |
| Other finance income - interest income on loans to group entities (Note 15) | 30 | 82 |
| | <u>2,030</u> | <u>2,862</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Interest payable and similar expenses

| | 2021 £ 000 | 2020 £ 000 |
|-----------------------------|---------------|---------------|
| Interest on corporation tax | 55 | - |
| Interest on finance leases | 420 | 444 |
| | <u>475</u> | <u>444</u> |

7 Staff costs

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

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Wages and salaries | 47,208 | 46,375 |
| Social security costs | 6,101 | 5,982 |
| Pension costs, defined contribution scheme (Note 17) | 3,232 | 2,874 |
| Pension costs, defined benefit scheme (Note 17) | 10,800 | 8,000 |
| Share-based payment expenses | 3,439 | 3,140 |
| | <u>70,780</u> | <u>66,371</u> |

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

| | 2021 No. | 2020 No. |
|----------------------------|-------------|-------------|
| Administration and support | 541 | 530 |
| Distribution | 29 | 32 |
| | <u>570</u> | <u>562</u> |

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Remuneration in respect of qualifying services | 521 | 622 |
| Pensions - defined contribution scheme | 32 | 34 |
| Pensions - defined benefit scheme | 66 | 49 |
| Long term incentive plans | 392 | 222 |
| | <u>1,011</u> | <u>927</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Directors' remuneration (continued)

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

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Received or were entitled to receive shares under long term incentive schemes | 2 | 3 |
| Accruing benefits under defined benefit pension scheme | 1 | 1 |
| Accruing benefits under defined contribution pension scheme | 1 | 1 |

In respect of the highest paid director:

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Remuneration in respect of qualifying services | 258 | 271 |
| Long term incentive plans | 202 | 119 |

9 Auditors' remuneration

| | 2021 £ 000 | 2020 £ 000 |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | 30 | 30 |
| Taxation services | 33 | 31 |
| | 63 | 61 |

10 Taxation

Tax charged/(credited) in profit and loss:

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Current taxation | | |
| UK corporation tax | 193 | 1,386 |
| UK corporation tax adjustment to prior periods | 2,611 | - |
| | 2,804 | 1,386 |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | 3,717 | 679 |
| Arising from changes in tax rates and laws | (609) | (532) |
| Tax expense in profit and loss | 5,912 | 1,533 |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Taxation (continued)

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2020 - 19%).

The differences are reconciled below:

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Profit before tax | 14,761 | 16,434 |
| Corporation tax at standard rate | 2,805 | 3,122 |
| Effect of expense not deductible in determining taxable profit | 196 | 508 |
| Deferred tax expense relating to changes in tax rates or laws | 300 | (532) |
| Increase in current tax from adjustment for prior periods | 2,611 | - |
| Tax decrease arising from group relief | - | (1,565) |
| Total tax charge | 5,912 | 1,533 |

The increase in current tax from adjustment for prior periods of £2,611,000 (2020: £Nil) arose as a result of a change in the approach taken to the application of loss relief within the Abbott UK group. This change in approach was applied subsequent to the approval of the financial statements for the year ended 31 December 2020 but prior to the finalisation and submission of the Company's statutory corporation tax computation and associated filings with the UK tax authority.

Factors that may effect future tax charges

On 26 October 2015, Finance No.2 Bill 2015 enacted reductions in the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The latter reduction was subsequently reduced further from 18% to 17% upon enactment of the Finance Bill 2016 on 15 September 2016. However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted on 24 May 2021.

Balances relating to deferred tax as shown in this note have been calculated at 25% which was the enacted rate in force at the year end. The Directors consider that materially all of the deferred tax balances shown will reverse after April 2023.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are as follows:

| | Asset £ 000 | Liability £ 000 |
|------------------------------|----------------|--------------------|
| 2021 | | |
| Accelerated tax depreciation | - | 2,534 |
| Other timing differences | 407 | - |
| Pension surplus | - | 79,575 |
| | <u>407</u> | <u>82,109</u> |
| 2020 | | |
| Accelerated tax depreciation | 680 | - |
| Other timing differences | 2,098 | - |
| Pension surplus | - | 25,403 |
| | <u>2,778</u> | <u>25,403</u> |

The deferred tax asset arising from other timing differences as at 31 December 2021 and 31 December 2020 is included in Debtors (Note 15). The deferred tax liability arising from accelerated tax depreciation as at 31 December 2021, and the deferred tax liability arising from the pension surplus as at 31 December 2021 and 31 December 2020, are presented as Provisions for liabilities in the balance sheet. The deferred tax asset arising from accelerated tax depreciation as at 31 December 2020, is included in Debtors.

11 Intangible assets

| | Software £ 000 |
|--------------------------|-------------------|
| Cost or valuation | |
| At 1 January 2021 | - |
| Additions | <u>404</u> |
| At 31 December 2021 | <u>404</u> |
| Amortisation | |
| At 1 January 2021 | - |
| Charge for the year | <u>20</u> |
| At 31 December 2021 | <u>20</u> |
| Carrying amount | |
| At 31 December 2021 | <u>384</u> |
| At 31 December 2020 | <u>-</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Tangible assets

| | Land and buildings £ 000 | Furniture, fittings and equipment £ 000 | Assets under construction £ 000 | Total £ 000 |
|------------------------|--------------------------------|--|---------------------------------------|----------------|
| Cost | | | | |
| At 1 January 2021 | 5,234 | 122,035 | 73 | 127,342 |
| Additions | - | 19,434 | 99 | 19,533 |
| Disposals | - | (5,190) | - | (5,190) |
| Transfers | - | 73 | (73) | - |
| At 31 December 2021 | <u>5,234</u> | <u>136,352</u> | <u>99</u> | <u>141,685</u> |
| Depreciation | | | | |
| At 1 January 2021 | 2,972 | 65,128 | - | 68,100 |
| Charge for the year | 355 | 12,539 | - | 12,894 |
| Disposals | - | (4,099) | - | (4,099) |
| At 31 December 2021 | <u>3,327</u> | <u>73,568</u> | <u>-</u> | <u>76,895</u> |
| Carrying amount | | | | |
| At 31 December 2021 | <u>1,907</u> | <u>62,784</u> | <u>99</u> | <u>64,790</u> |
| At 31 December 2020 | <u>2,262</u> | <u>56,907</u> | <u>73</u> | <u>59,242</u> |

Included in Furniture, fittings and equipment are assets held under finance leases with a net carrying value of £8,364,000 (2020: £10,089,000).

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Investments in subsidiaries

| | 2021 £ 000 | 2020 £ 000 |
|---------------------------------|----------------|-----------------|
| Investments in subsidiaries | <u>255,463</u> | <u>87,463</u> |
| Subsidiaries | | £ 000 |
| Cost or valuation | | |
| At 1 January 2021 | | 104,022 |
| Additions | | <u>168,000</u> |
| At 31 December 2021 | | <u>272,022</u> |
| Provision for impairment | | |
| At 1 January 2021 | | (16,559) |
| Provision for impairment | | <u>-</u> |
| At 31 December 2021 | | <u>(16,559)</u> |
| Carrying amount | | |
| At 31 December 2021 | | <u>255,463</u> |
| At 31 December 2020 | | <u>87,463</u> |

On 1 November 2021, the Company obtained a 100% shareholding in Abbott (UK) Finance Limited from Abbott (UK) Holdings Limited, the Company's immediate parent. As total consideration for the shares transferred to it, the Company issued and allotted to Abbott (UK) Holdings Limited one Ordinary share with a nominal value of £1. Accordingly, the transaction has been accounted for as a group reconstruction in accordance with section 611 of the Companies Act 2006 and section 19.27 of FRS 102, with the share and share premium issued and allotted by the Company being valued at the carrying amount of the investment in Abbott (UK) Finance Limited as recorded by Abbott (UK) Holdings Limited on the date of the transaction. The carrying amount of the investment in Abbott (UK) Finance Limited recorded by Abbott (UK) Holdings Limited was £108,000,000 and this amount is included within the figure of £168,000,000 for Additions, as shown above.

On 13 December 2021, the Company made a capital contribution of £60,000,000 by way of a cash payment, to its wholly owned subsidiary, Abbott Diabetes Care Limited. In exchange the Company received one ordinary share in Abbott Diabetes Care Limited. The amount of £60,000,000 forms part of the figure of £168,000,000 for Additions, as shown above.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Investments in subsidiaries (continued)

Details of undertakings

Details of the investments in which the Company holds a proportion of the nominal value of any class of share capital were as follows:

| Undertaking | Country of incorporation | Holding | Proportion of voting rights and shares held | |
|---|--------------------------|----------|---|------|
| | | | 2021 | 2020 |
| 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% | 100% |
| Abbott (UK) Finance Limited | England and Wales | Ordinary | 100% | 0% |

The principal activity of Abbott Diabetes Care Limited is a contract manufacturer of biosensor strips and a licensee of technology, engaged in the manufacture and sale of biosensing products.

The principal activity of Murex Biotech Limited is intra group lending. During the year ended 31 December 2021, the principal activities of the Murex Biotech Limited were to provide administrative services and intra group lending to other group companies. Subsequent to 31 December 2021, during 2022 the principal activity of Murex Biotech Limited became solely that of intra group lending.

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

The principal activity of Abbott Medical UK Limited is the marketing, distribution and sale of medical devices in the UK.

The principal activity of Abbott (UK) Finance Limited is that of a finance company to other Abbott group companies.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Investments in subsidiaries (continued)

The registered address of Abbott Diabetes Care Limited is Windrush Park, Range Road, Witney, Oxon, OX29 0YL.

The registered address of Murex Biotech Limited is Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, United Kingdom, SL6 4XE.

The registered address of Abbott Laboratories Trustee Company Limited is Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4XE.

The registered address of Abbott Medical UK Limited is Elder House Central Boulevard, Blythe Valley Business Park, Solihull, England, B90 8AJ.

The registered address of Abbott (UK) Finance Limited is Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4XE.

All investments in subsidiaries are unlisted and held at cost less impairment.

14 Stocks

| | 2021 £ 000 | 2020 £ 000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 29,329 | 22,076 |

Finished goods and goods for resale are stated after having made provisions of £301,000 (2020: £100,000).

15 Debtors

| | 2021 £ 000 | 2020 £ 000 |
|---|----------------|----------------|
| Amounts falling due within one year | | |
| Trade debtors | 89,142 | 74,669 |
| Amounts owed by group entities | 19,238 | 54,007 |
| Other debtors | 7,935 | 7,371 |
| Prepayments | 3,916 | 3,441 |
| Foreign currency forward exchange contracts | 3,791 | - |
| Corporation tax receivable | 2,767 | 467 |
| Amounts falling due after more than one year | | |
| Deferred tax assets | 407 | 2,778 |
| Total debtors | 127,196 | 142,733 |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Debtors (continued)

Trade debtors are non-interest bearing, generally on 30 day terms and stated after having made provisions for doubtful debts of £904,000 (2020: £858,000).

Amounts owed by group entities include trading balances of £19,238,000 (2020: £9,757,000) and loan balances of £Nil (2020: £44,250,000). Trading balances owed by group entities are interest free, unsecured and repayable on demand. Loan balances owed by group entities are interest bearing, are unsecured and repayable on demand.

Due to their short maturities, the fair value of trade debtors and amounts owed by group companies approximate their book values.

16 Creditors

| | 2021 £ 000 | 2020 £ 000 |
|---|----------------|---------------|
| Due within one year | | |
| Trade creditors | 15,027 | 19,846 |
| Amounts due to group entities | 64,897 | 33,121 |
| Social security and other taxes | 13,255 | 10,436 |
| Deferred revenue | 1,000 | 703 |
| Accrued expenses | 35,057 | 22,617 |
| Obligations under finance leases | 1,681 | 1,611 |
| Foreign currency forward exchange contracts | - | 4,462 |
| | <u>130,917</u> | <u>92,796</u> |
| Due after one year | | |
| Deferred revenue | 1,628 | 2,048 |
| Obligations under finance leases | 7,158 | 8,838 |
| | <u>8,786</u> | <u>10,886</u> |

Trade creditors are non-interest bearing and it is the Company's policy to pay within the stated terms which typically vary from 60 - 90 days from receipt of the invoice.

Amounts due to group entities include trading balances of £34,215,000 (2020: £33,121,000) and loan balances of £30,682,000 (2020: £Nil). Trading balances due to group entities are interest free, unsecured and repayable on demand. Loan balances owed to group entities are interest bearing, are unsecured and repayable on demand.

Foreign currency forward exchange contracts are measured at fair value.

Due to their short maturities, the fair value of trade creditors and amounts owed to group companies approximate their book values.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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 £3,232,000 (2020: £2,874,000).

Defined benefit pension schemes

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

| | 2021 £ 000 | 2020 £ 000 |
|---|----------------|----------------|
| Fair value of scheme assets | 1,146,000 | 1,032,600 |
| Present value of defined benefit obligation | (827,700) | (898,900) |
| Defined benefit pension scheme surplus | <u>318,300</u> | <u>133,700</u> |

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

| | 2021 £ 000 |
|--------------------------------------|----------------|
| Present value at start of year | 898,900 |
| Current service cost | 18,800 |
| Interest cost | 13,000 |
| Actuarial gains | (90,300) |
| Benefits paid | (12,800) |
| Contributions by scheme participants | <u>100</u> |
| Present value at end of year | <u>827,700</u> |

Fair value of scheme assets

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

| | 2021 £ 000 |
|--|------------------|
| Fair value at start of year | 1,032,600 |
| Interest income | 15,000 |
| Return on plan assets, excluding amounts included in interest income | 99,800 |
| Employer contributions | 12,600 |
| Contributions by scheme participants | 100 |
| Benefits paid | (12,800) |
| Administration costs | <u>(1,300)</u> |
| Fair value at end of year | <u>1,146,000</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

| | 2021 £ 000 | 2020 £ 000 |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 1,500 | 600 |
| Equity instruments | 580,600 | 567,700 |
| Debt instruments | 520,500 | 425,800 |
| Property | 43,400 | 38,500 |
| | <u>1,146,000</u> | <u>1,032,600</u> |

Return on scheme assets

| | 2021 £ 000 | 2020 £ 000 |
|-------------------------|----------------|----------------|
| Return on scheme assets | <u>114,800</u> | <u>160,300</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:

| | 2021 % | 2020 % |
|--------------------------|-------------|-------------|
| Discount rate | 1.95 | 1.45 |
| Future salary increases | 4.00 | 4.00 |
| Future pension increases | 3.00 | 2.75 |
| RPI Inflation | 3.00 | 2.75 |
| CPI Inflation | <u>2.25</u> | <u>2.10</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Pension and other schemes (continued)

Post retirement mortality assumptions

| | 2021 Years | 2020 Years |
|--|---------------|---------------|
| Current UK pensioners at retirement age - male | 22.70 | 22.70 |
| Current UK pensioners at retirement age - female | 24.60 | 24.50 |
| Future UK pensioners at retirement age - male | 23.90 | 23.90 |
| Future UK pensioners at retirement age - female | <u>26.10</u> | <u>26.00</u> |

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. Furthermore, all costs and contributions disclosed in this note relate to the entire pension fund unless otherwise stated. The date of the most recent comprehensive actuarial valuation was 31 March 2019. The figures in this note are based on the latest full actuarial valuation as updated to the balance sheet date by a qualified actuary. The total actuarial cost of the defined benefit scheme was £18,100,000 (2020: £14,900,000). The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £10,800,000 (2020: £8,000,000). This represents the actuarial cost of the entire defined benefit scheme less those contributions paid by other group companies participating in the scheme. The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2020: £Nil).

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

18 Called up share capital

Allotted, called up and fully paid shares

| | 2021 | | 2020 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | <u>106,842</u> | <u>106,842</u> | <u>106,842</u> | <u>106,842</u> |

19 Reserves

Share premium reserve

This reserve records the amount above the nominal value received for shares issued, 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. The Company makes payments to the ultimate parent company in relation to restricted stock units granted to its employees. The Company records a deemed capital contribution where the value of such restricted stock units granted exceeds the payments made to the ultimate parent company. In cases where the value of the payments made to the ultimate parent company exceeds the value of such restricted stock units granted, these payments are recorded in the profit and loss account.

Profit and Loss Account

The profit and loss account holds the retained earnings of the Company, after the deduction of any dividends paid.

20 Obligations under leases and hire purchase contracts

Operating lease commitments

The total of future minimum lease payments is as follows:

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Not later than one year | 4,434 | 2,858 |
| Later than one year and not later than five years | 11,445 | 10,997 |
| Later than five years | <u>-</u> | <u>645</u> |
| | <u>15,879</u> | <u>14,500</u> |

Capital commitments

The total amount contracted in relation to tangible asset additions but not provided in the financial statements was £118,000 (2020: £57,000).

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

20 Obligations under leases and hire purchase contracts (continued)

Contingent Liabilities

HMRC holds a guarantee against the Company's cash at bank amounting to £5,000,000. The purpose of this guarantee is to allow for import duty and VAT to be paid on a timely basis to ensure smooth flows of stocks into the United Kingdom where import duty and VAT payments are required.

The Company responds to HMRC enquiries in the normal course of business. Such enquiries can take a considerable period of time to reach conclusion and the ultimate outcome contains an element of uncertainty. The Directors believe that there are no contingent liabilities of this nature which could have a significant adverse effect on the Company's financial statements.

21 Share-based payments

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 parent 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:

| | 2021 Number | 2020 Number |
|--------------------------------------|----------------|----------------|
| Outstanding, start of period | 98,544 | 121,032 |
| Granted during the period | 43,616 | 45,972 |
| Forfeited during the period | (3,740) | (8,446) |
| Exercised during the period | (51,975) | (56,994) |
| Transfers to other group undertaking | 191 | (3,020) |
| Outstanding, end of period | <u>86,636</u> | <u>98,544</u> |
| Exercisable, end of period | <u>86,836</u> | <u>98,544</u> |

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

21 Share-based payments (continued)

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

| | 2021 US\$ | 2020 US\$ |
|--------------------------------------|--------------|--------------|
| Outstanding, start of period | 74.19 | 65.49 |
| Granted during the period | 120.13 | 87.30 |
| Forfeited during the period | 92.32 | 88.01 |
| Exercised during the period | 69.30 | 87.23 |
| Transfers to other group undertaking | 82.82 | 67.61 |
| Outstanding, end of period | <u>99.56</u> | <u>78.00</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 £3,439,000 (2020: £3,140,000).

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 £416,000 (2020: £405,000).

22 Related party transactions

The Company is a wholly owned subsidiary of Abbott Laboratories. Accordingly, the Company has taken advantage of the exemption under FRS 102 section 33 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to transactions are wholly owned by the ultimate controlling parent. There were no other related party transactions during the year.

23 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. The consolidated financial statements are available to the public and may be obtained from Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400, USA

24 Post balance sheet events

There were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Company, which require disclosure.